

## V. HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS

### A. INTRODUCTION

This chapter contains an outline of policies and requirements concerning CDBG-assisted housing and neighborhood renewal projects.

**Section G** of this chapter (*Housing and Neighborhood Renewal Category Ranking Criteria*) includes the set of questions your application needs to answer to address the five CDBG application ranking criteria.

See **Appendix D** for application instructions, requirements, procedures, and format for Housing and Neighborhood Renewal grant applications.

It is the goal of the Montana CDBG Program to provide financial resources and technical assistance to local governments as they seek to respond to their unique housing needs. All CDBG projects must be designed to principally benefit low and moderate income families. The CDBG Housing and Neighborhood Renewal grant category offers communities a wide range of activities to help them provide decent, safe, and sanitary housing for their low and moderate income residents at an affordable price and to combat blighting influences in the community. A variety of activities can be combined in one single project as part of an overall housing strategy linked to the particular needs and circumstances of an individual community, as long as it is consistent with the community's analysis of housing needs and will achieve meaningful impact.

Three major developments have occurred which affect the ability of Montana local governments to respond to their housing needs:

- the economic impacts on homeowners and renters as a result of rapidly increasing energy costs;
- regulations adopted by HUD on September 15, 2000, regulating the treatment of lead-based paint in HUD-assisted housing units; and
- increased concern regarding the presence of asbestos-containing materials in older housing and the necessity to properly abate and remove it, as necessary.

Because of the growing urgency of the energy issue, the Montana CDBG Program is encouraging communities to consider housing activities which would focus on funding energy conservation improvements for housing owned or occupied by low and moderate income homeowners or renters. Also, HUD has adopted regulations regarding treatment of lead-based paint found in older homes that have cost implications for the administration of local housing projects. By focusing on lead-based paint stabilization as opposed to abatement (removal or permanent covering), where it is appropriate, communities can avoid some of the costs involved in complying with lead-based paint requirements, and continue to rehabilitate good housing stock that was built prior to 1978. See **Appendix I** for more information on the HUD/CDBG lead-based paint requirements. Similarly, health concerns relating to the disturbance of previously installed asbestos-containing materials in older housing now require enhanced inspection and development of proper asbestos abatement and disposal plans before undertaking rehabilitation.

## **B. USE OF CDBG FUNDS FOR PREPARATION OF LOCAL GOVERNMENT GROWTH POLICIES AND CAPITAL IMPROVEMENT PLANS**

**Continuing with the policy initiated in the 2006 calendar year, the CDBG program encourages local governments to reserve up to \$25,000 in funds to prepare or update a Growth Policy or Capital Improvement Plan (CIP).**

Please see Appendix X for more information about Growth Policies and CIPs.

## **C. ELIGIBLE HOUSING AND NEIGHBORHOOD RENEWAL ACTIVITIES**

**Eligible CDBG Housing and Neighborhood Renewal activities include:**

- rehabilitation of substandard housing;
- supporting construction of new permanent, long-term housing;
- weatherization and improvement of the energy efficiency of homes or apartments;
- financing or subsidizing the construction of new permanent, residential units where a local nonprofit organization sponsors the project;
- provision for the replacement of older, energy-inefficient mobile homes with newer energy-efficient mobile or modular homes, other types of manufactured housing, or conventionally-built housing units;
- inclusion of site improvements or provision of public facilities to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing;
- demolition of vacant, deteriorated housing units with the intent of making the sites available for new construction;
- acquisition of sites for use or resale for new housing;
- conversion of existing nonresidential structures for residential use;
- first-time home buyer assistance to eligible low and moderate income households;
- cleaning up junk and debris; and
- improvement to or construction of public facilities related to a housing project, such as sidewalks, streets, or neighborhood parks.

Projects designed to provide housing facilities to be owned or operated by local governments or private non-profit or for-profit corporations must be submitted under the FFY 2010 CDBG Housing and Neighborhood Renewal grant competition.

## **D. TEMPORARY, SHORT-TERM, OR TRANSITIONAL HOUSING FACILITIES ARE CONSIDERED PUBLIC FACILITIES PROJECTS**

Beginning in calendar year 2007, projects designed to provide temporary, short-term, or transitional housing facilities to be owned or operated by local governments or private, non-profit corporations will fall under the CDBG category of Public Facilities. Examples of these types of facilities are emergency shelters, transitional housing, homeless shelters, domestic violence shelters, youth shelters and group homes, and shelters for the mentally ill, among others.

Projects designed to provide long-term or permanent housing will continue to fall under the Housing and Neighborhood Renewal category. Contact CDBG for any needed clarification about whether your proposed project falls in the Public Facilities category or in the Housing and Neighborhood Renewal Category.

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## E. TYPES OF ELIGIBLE HOUSING ACTIVITIES

There are several basic types of activities that can be undertaken using CDBG funds under the Housing and Neighborhood Renewal category:

1. **Community Renewal;**
2. **Housing Energy Conservation;**
3. **Home Buyer Assistance;**
4. **Housing Rehabilitation;**
5. **New Housing Construction; and**
6. **Preservation of HUD Project-Based Assisted Multi-Family Housing.**

### 1. Community Renewal

**Applicants proposing local CDBG Housing and Neighborhood Renewal projects have the option of setting aside funds from their grant request for eligible CDBG activities that would result in a long-term, recognizable and visible impact and would promote overall community renewal.**

Over its history, a major objective of the CDBG Program has been not only to improve local housing conditions, but also to combat neighborhood deterioration and community blight, and to encourage public and private community reinvestment and community renewal. The CDBG program encourages local governments to undertake appropriate, complementary community renewal activities in conjunction with the principal housing activities proposed in a local project.

**These community renewal activities may complement the principal housing activity and may increase the overall benefit from the principal activities proposed for the CDBG housing and neighborhood renewal project.** Community renewal activities can help maintain and enhance overall appearance and safety, neighborhood pride, and property values within the neighborhood or community where the principal housing activities will occur and encourage reinvestment in the neighborhood selected for housing activities. **For example, community renewal can include activities such as:**

- community cleanup and fix-up campaigns;
- demolishing hazardous, dilapidated, vacant buildings;
- preparing historic inventories prior to demolition; or
- improving or constructing sidewalks, streets, street lighting, or neighborhood parks or playgrounds.
- using CDBG funds to promote community re-development via “Smart Growth” and “in-fill development.”
  - For example, in-fill development can be encouraged by removing seriously dilapidated structures or improving vacant lots and providing new, stick-built construction, modular housing, or newer mobile homes or manufactured housing on the same parcels. These activities can be a cost-effective means of providing needed building sites for new homes because these sites are already served by public water, sewer, and streets. Encouraging “in-fill” development can also be a tool for discouraging sprawl and loss of open space or agricultural land.

- promoting community renewal activities using loan or grant funds from public or private sources, entitlement or formula-based funds such as Community Transportation Enhancement Program (CTEP) funds from the Montana Department of Transportation, payments in lieu of taxes, or other cash which is available to help finance the proposed community renewal activities.

## **2. Housing Energy Conservation**

Because of the circumstances and developments described below, the Department of Commerce is encouraging communities to consider housing rehabilitation activities which would:

- focus on funding energy conservation improvements to housing owned or occupied by low or moderate income homeowners or renters; and
- at the same time address key life-safety issues identified with any particular structure.

For more than two decades, HUD research has demonstrated that housing activities that focus on energy conservation measures are the most cost-effective of all investments in our housing stock and provide the greatest financial savings for lower income homeowners and renters.

From the beginning of the CDBG Program in the mid-1970's, housing rehabilitation activities have been a major and traditional focus of local housing projects. For many years, Montana's CDBG Program encouraged communities to undertake cost-effective housing rehabilitation work on individual homes with a primary emphasis on addressing basic housing code deficiencies.

In recent years, demographic trends in Montana have prompted the MDOC CDBG staff to question whether traditional housing rehabilitation assumptions are still appropriate in the changing housing market. Many Western Montana communities have experienced rapid growth and corresponding increases in housing prices. Increasingly, local housing programs have found it difficult to accomplish cost-effective rehabilitation in the face of rising construction costs. In contrast, many Eastern Montana communities have experienced population out-migration and a decline in housing values. Conventional housing rehabilitation projects in these communities raise questions about the appropriateness of using scarce public funds to increase the numbers of adequate housing units in markets where the demand for housing is falling.

Another development involves the implications of energy deregulation for low and moderate income households across Montana combined with soaring home heating costs due to the instability in the price of natural gas and fuel oil. Obviously, the impact of rising energy costs falls most heavily on low and moderate income families.

**Eligible housing energy conservation activities.** The basic components of this approach to CDBG-funded housing energy conservation activities would include the following eligible activities:

- Improvements to increase the efficient use of energy in structures through such means as installation of storm doors and windows, insulation, and the modification or replacement of heating equipment would receive top priority.
- The activities in the housing unit could also address lead-based paint hazard evaluation and reduction activities, structural problems, or handicapped accessibility considerations. In particular, life-safety building code issues should always be addressed in addition to energy considerations.

- As appropriate, funds can also provide for the complete replacement of older, energy-inefficient mobile homes with newer energy-efficient mobile or modular homes, other types of manufactured housing, or conventionally-built housing units.

**Coordination with Montana DPHHS' LIEAP and LIWAP programs is required.** Energy conservation assistance in CDBG-funded housing projects must be coordinated with the **Low Income Energy Assistance Program (LIEAP)** and the **Low-Income Weatherization Program (LIWAP)** currently administered by the Montana Department of Public Health and Human Services (DPHHS) in coordination with the ten Human Resource Development Councils (HRDCs) throughout Montana. DPHHS administers a program in cooperation with the HRDCs to provide weatherization grants for qualified low-income individuals and households (including rental units). However, funding for that program is very limited. Combining these activities with the CDBG funds would provide maximum benefits for a greater number of low and moderate-income households.

**For more information, please check the DPHHS Weatherization Program and Low Income Energy Assistance Program website:**

<http://www.dphhs.mt.gov/programsservices/energyassistance/index.shtml>

### **3. Home Buyer Assistance**

**CDBG funds can be used for home buyer assistance to expand home ownership opportunities for low and moderate income persons.** These activities include:

- the subsidy of interest rates and mortgage amounts for low and moderate income home buyers;
- financing the acquisition of housing that will be occupied by the home buyers;
- providing up to 50% of any down payment required;
- paying reasonable closing costs; and/or
- paying for the replacement of older, energy-inefficient mobile homes with newer energy-efficient mobile or modular homes, other types of manufactured housing, or conventionally-built housing units.

### **4. Housing Rehabilitation**

**CDBG housing rehabilitation projects focus on bringing housing units up to basic code standards by:**

- addressing structural deficiencies;
- improving electrical systems, plumbing, and roofing; and
- incorporating energy conservation measures.

**CDBG funds in housing rehabilitation projects:**

- are most often used to make low or no interest loans or grants to low and moderate income families for the rehabilitation of homes in substandard condition;
- can also be loaned to landlords at low interest rates to allow them to rehabilitate rental units that they agree to rent to low or moderate income families at affordable rents over a specified period of time.

Communities planning housing rehabilitation projects need to consider the financial impact of requirements related to issues such as asbestos, lead water service lines, and architectural standard for historic preservation. Decisions on when to use grants vs. loans (which could be forgivable over a certain period) and loan terms would be based on the standard required HUD affordability analysis.

**References and resources for developing a local housing rehabilitation project are available from CDBG:** Copies of local housing program guidelines from other communities, and copies of previously successful CDBG applications and other related reference materials are available upon request from CDBG staff. See **Appendix P** for a list of some of the available resource documents and assistance programs.

**Communities proposing housing rehabilitation activities as part of an application to CDBG should be sure to investigate and explore the housing rehabilitation funds that are available from the funding sources listed below. Applicants should document contacts with these funding sources and describe the results of these contacts in their applications, to show that all relevant sources of housing rehabilitation funds have been explored.**

- **MDOC Housing Division's HOME program and its Single-Family Noncompetitive Program.** The Pilot Program is an allocation of HOME funds for **homeowner rehabilitation and home buyer assistance** activities. [http://housing.mt.gov/Hous\\_HM\\_SF.asp](http://housing.mt.gov/Hous_HM_SF.asp)
- **USDA Rural Development's 504 Home Repair/Rehabilitation 1% Loan Program.** 504 Repair and Rehabilitation **Loans** are **loans** available to very low-income rural residents who own and occupy a dwelling in need of repairs. Funds are available for repairs to improve or modernize a home, or to remove health and safety hazards. This loan is a 1% loan that may be repaid over a 20-year period. <http://www.rurdev.usda.gov/mt/rhs/504L.htm>
- **USDA Rural Development's 504 Home Repair / Rehabilitation Grant Program.** Rural Housing Repair and Rehabilitation Grants are available to **dwelling owners/occupants who are 62 years of age or older**. Funds may only be used for repairs or improvements to remove health and safety hazards, or to complete repairs to make the dwelling accessible for household members with disabilities. The amount of the USDA grant is based on the applicant's ability to repay and must be used in conjunction with the USDA Repair and Rehabilitation Loan. The lifetime maximum grant amount is \$7,500. See <http://www.rurdev.usda.gov/mt/rhs/504G.htm> for more information.

## 5. New Housing Construction

Many Montana communities are experiencing rapid growth, resulting in serious shortages of affordable housing. CDBG funds can also be used for construction of new housing, with some limitations:

- CDBG funds can be used to help finance or subsidize the construction of new permanent residential units or to provide public facilities or site improvements to assist new housing construction for low and moderate-income families, where the CDBG project in conformance with HUD regulations will be developed and managed by a local non-profit or for-profit organization sponsored by a local government.
- A **for-profit organization** is eligible to be a subrecipient developer and/or owner of a new construction housing project if: 1) the CDBG grant funds are loaned to the for-profit by the applicant and 2) the program income derived from repayment of the loan is utilized by the local government grantee in accordance with CDBG requirements.
- A **for-profit developer or owner** may be eligible to receive CDBG grant funding to provide infrastructure for new subdivision that will include a benefit for LMI families -- subject to the state CDBG program receiving a HUD waiver for the project.

Local governments can directly undertake some activities that support new housing using CDBG funds, including:

- Acquisition of sites for use or resale for new housing;
- Clearance of sites for use or resale for new housing;
- Site improvements to publicly-owned land or land owned by a non-profit organization to be used or sold for new housing;
- The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; and/or
- The cost of converting an existing non-residential structure to residential use.

## 6. **Preservation of HUD's Project-Based Assisted Multi-Family Housing**

Preservation of HUD's project-based assisted multi-family housing developments has become a national priority and CDBG funds can be used to assist in the cost-effective preservation of such multi-family housing. Many of these developments are over 30 years old and in need of basic rehabilitation and energy conservation retrofits. Lead-based paint and asbestos removal issues may be involved with such projects. Often these properties are the only affordable housing opportunities available for very low-income persons and families in Montana's smaller communities.

Through the utilization of a combination of funding sources in conjunction with CDBG funds -- such as the Federal Low-income Housing Tax Credits (LIHTC) available through the Montana Board of Housing, funds from the MDOC HOME Program, and USDA Rural Development (RD) -- the cost effective preservation of these projects may be possible in spite of costs incurred for mitigation of lead-based paint and/or asbestos, and other cost enhancing requirements such as handling displacement and relocation issues for current project residents. However, the careful assessment of all potential costs associated with such a rehabilitation project by a licensed, professional architect is crucial to determine if a project can be cost-effective and financially feasible.

## F. SPECIAL REQUIREMENTS FOR HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS

### **IMPORTANT INFORMATION FOR APPLICANTS**

**TO APPLY FOR CDBG HOUSING AND NEIGHBORHOOD RENEWAL GRANT FUNDING,  
PLEASE DO THE FOLLOWING:**

- 1) Follow the instructions in **Appendix D (Application Instructions and Format for CDBG Housing Projects)**.
- 2) Submit complete responses for **each of the questions for ranking criteria 1-5** as listed in **Section G (Housing and Neighborhood Renewal Category Ranking Criteria)** of this chapter.
- 3) Show that you comply with the applicable **special requirements** listed in this section as well as all **general CDBG requirements**.
- 4) Complete the **Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs** (2006 Edition), available on-line at [http://housing.mt.gov/Hous\\_Apps.asp](http://housing.mt.gov/Hous_Apps.asp). Applicants have the option of completing the income and expense forms found in **Section C** of the **Uniform Application** – or of providing the information requested in a similar format.

**Please note that MDOC has resources to assist you in preparing your grant application.**

**Call CDBG staff (406-841-2791) to ask questions and to get clarifications.**

**Potential applicants can borrow copies of previously successful housing and neighborhood renewal applications submitted by other communities.**

**Other related reference materials are available upon request from MDOC staff.**

## **1. SPECIAL REQUIREMENTS FOR ALL HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS**

### **a. Include a Summary of Local Housing and Neighborhood Renewal Project Policies and Procedures.**

**An overall summary of the proposed policies and procedures to be used for the proposed housing and neighborhood renewal project must be included in the CDBG application (as an Exhibit – see Appendix D for a discussion of Exhibits).**

In view of the extent of Montana's needs for housing and the limited CDBG funds available, MDOC encourages applicants to address the following 10 items in their proposed housing and neighborhood renewal project policies and procedures, as applicable to the proposed housing project:

- (1) Special financing techniques to "leverage" CDBG funds to encourage investment by homeowners and lenders, thereby increasing the total amount of funding available in order to assist a greater number of households.
- (2) The targeting of assistance to low and moderate-income households identified as having special needs, such as those with low incomes, the elderly (defined by HUD as persons 62 years of age and older; 24 CFR 891.205), handicapped or minority members, or single parent households.
- (3) Financing policies which provide for an affordability analysis for potential beneficiaries to encourage financial participation by assisted households to the extent of their ability while recognizing homeowners' existing housing costs and ability to afford the costs of debt service.
- (4) Policies to allow a reasonable return on investment for rehabilitation of rental units undertaken by landlords.
- (5) Policies setting a reasonable ceiling on the amount of CDBG funds to be spent on any single household.
- (6) Costs for improvements necessary to permit use of the dwelling unit by handicapped persons.
- (7) Policies to routinely consider whether housing units are physically suitable for rehabilitation with particular emphasis on evaluation of the long-term cost-effectiveness of any proposed rehabilitation activities.
- (8) Local governments proposing housing rehabilitation activities must submit a summary of proposed procedures to deal with asbestos, lead water pipes, and architectural standards for historic preservation. Local governments proposing housing activities that will involve



improvements to housing structures constructed prior to 1978 must also submit a summary of proposed procedures to assess and stabilize or abate lead-based paint hazards.

- (9) Policies to encourage cost-effective rehabilitation work on individual units with primary emphasis on addressing basic housing code deficiencies and energy conservation needs.
- (10) As part of complementary activities, policies to encourage the removal of community blighting influences on the property of assisted housing units and in the neighborhood or area of the CDBG project.

**b. Demonstrate that your project assures affordability of rents and loan repayments.**

**(1) Assuring Affordability of Rents**

- **HUD regulations require that in order for CDBG assistance to multi-unit structures to qualify as benefiting low and moderate income persons, "... the units must be occupied by low and moderate income persons at affordable rents."** Grantees have the option of either (a) establishing their own schedules for affordable rents, or (b) utilizing rent schedules not to exceed the current edition of the HUD "Section 8 Existing Fair Market Rents." This standard specifies maximum rents (including utility costs) by bedroom size, by county, for units available on the open market, which already meet decent, safe, and sanitary criteria under federal guidelines, and do not require rehabilitation.
  - HUD's Fair Market Rents are adopted for the HUD Section 8 Program that provides housing for low and moderate-income families that cannot afford to pay the prevailing rents in a community. The HUD Fair Market Rents are based on the availability of federal rent subsidies for the families participating in the Section 8 program. **Because of this, the HUD rent figures are sometimes higher than actual local market rates. The use of the HUD Section 8 Existing Fair Market Rents to set ceilings on rental units assisted with CDBG funds (for which no rent subsidy is available) could result in establishing maximum rental rates which may not be affordable to low and moderate income families.**
  - **MDOC Recommendation:** As an alternative, grant recipients are encouraged to establish their own schedules of affordable rents based on an actual market survey of prevailing rents in the community for various bedroom sizes of rental units. Consistent with existing policy for other HUD-assisted housing programs, MDOC recommends that locally adopted, affordable rent schedules be established on the basis of not more than 85% of estimated typical rents in the community, according to the number of bedrooms per rental unit. According to HUD, "the 85% figure represents the lowest rent range at which a supply of standard quality units is normally available."
- **Affordable Rents** – The State is required by HUD to provide a definition of "Affordable Rents." CDBG-assisted rental units will carry rent and occupancy restriction requirements. The rents will be set in order that individuals pay no more than 35 percent of their gross income for rent, including utilities, or the applicable fair market rents for the area, as established annually by HUD, less any utility costs paid by the tenants, whichever is lower. Gross income will be defined according to the federal standards for the HUD Section 8 rent assistance program.

- **NOTE:** If the CDBG-assisted unit is also assisted by funding from the HOME Program, the Low Income Housing Tax Credit (LIHTC) Program, or USDA Rural Development programs, rent requirements for those programs will supersede the requirements noted here.
- **Continued Affordability** – The State is required by HUD to provide a description of how the State will ensure “continued affordability” for CDBG- assisted housing.
  - HUD requires that states ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 80 percent of area median income – that is, within the low and moderated income (LMI) standards of the CDBG Program. All homeowner and rental units assisted must include provisions for long-term affordability restrictions.

**(2) Assuring Affordability of Loan Repayments**

- **Where CDBG housing assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the total of the principal, interest, property taxes, and insurance (or 35% if the average cost of monthly utilities is included).**
  - MDOC may permit grant recipients to establish lower standards or alternate debt-to-income ratios that consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses, as long as they appear reasonable, equitable and are applied equally to all borrowers.

▪ **Decisions about when to use grants vs. when to use loans (loans which could be forgivable over a certain period) and decisions about loan terms for such housing rehabilitation activities needs to be based on the standard required HUD affordability analysis (to carefully determine what a given household can afford).**

- **Assistance to Home buyers. Applicants are encouraged to include provisions for long-term affordability restrictions consistent with the following requirements in structuring assistance to home buyers:**

<b>Subsidy Amount</b> (the amount of CDBG assistance provided to a home buyer)	<b>Minimum Affordability Period</b>	<b>Minimum Restriction</b>
Under \$15,000	5 years	Subsidy recapture, 20% forgiveness each year
\$15,000 – \$40,000	10 years	Subsidy recapture, 10% forgiveness each year
Over \$40,000	15 years	Subsidy recapture, 6.6% forgiveness each year

<b>Subsidy Amount</b> (the amount of CDBG assistance provided to a home buyer)	<b>Minimum Affordability Period</b>	<b>Minimum Restriction</b>
New Construction or Acquisition of Newly Constructed Single Family Housing (any \$ amount)	20 years	Subsidy recapture, 5% forgiveness each year

- Rent, occupancy, and affordability requirements for home buyer and rental units will be enforced with covenants, mortgages, or deed restrictions running with the property.
- Proceeds from resale of a home where subsidy recapture provision is used can be reinvested in eligible CDBG activities by CDBG grantees in accordance with a CDBG-approved Program Income Plan. (See Appendix R).

**c. Include a Program Income Plan (if any Program Income is anticipated) for the proposed project and a summary of any past Program Income activities.**

**(1) Any community that has been receiving program income from a previous CDBG project must include a summary of past program income earnings, activities funded, and other relevant program income information along with the CDBG grant application.**

**(2) If the proposed CDBG project is anticipated to generate future program income, the application must include a plan for its future use and propose long-term administrative mechanisms for the oversight of these funds.** For example, if your local government requested to retain program income received from its CDBG funded housing project after project closeout it would have had to complete a Program Income Plan as part of the required closeout. This Program Income Plan would outline the use of program income received in conjunction with a revolving loan fund for ongoing housing purposes to assist low and moderate income homeowners or renters, and may have included a goal to fund other eligible CDBG activities.

**See Chapter V (Criterion 5, Section K, Program Income) and Appendix R of these application guidelines for more discussion regarding CDBG program income requirements.** To comply with federal program income requirements, MDOC has established guidelines for local government grant recipients that retain and use program income. The guidelines are described in an MDOC publication entitled ***CDBG Program Income and Revolving Loan Fund Manual*** which covers CDBG requirements and local government management and accountability for program income and revolving loans. This publication is available from the MDOC CDBG program.

**d. Demonstrate that your project addresses Year-Round Occupancy requirements.**

Housing to be directly assisted with CDBG funds must be intended for occupancy by low and moderate income families the majority of the calendar year -- with the exception of housing provided for migrant workers.

**e. Demonstrate that your project will comply with HUD's Lead-Based Paint Requirements for Housing Projects.**

Anyone considering applying for a housing rehabilitation project should first discuss the implications of the HUD lead-based paint regulations with MDOC CDBG staff to determine the requirements, options, and resources applicable to the proposed project.

Since the CDBG program was first established in 1974, housing rehabilitation activities have been a major focus of local CDBG housing projects. The Residential Lead-Based Paint Hazard Reduction Act of 1992 amended the Lead-Based Paint Poisoning Act of 1971 that established the current federal lead-based paint requirements.

**Regulations adopted by HUD on September 15, 2000, regarding the assessment and stabilization or abatement of lead-based paint in CDBG-assisted housing units need to be considered when rehabilitation of pre-1978 housing units is proposed. See *Appendix I* for an outline of these requirements.**

**The lead-based paint regulations implementing the Act made important changes in federal lead-based paint requirements for several HUD programs, including CDBG. These HUD lead-based paint regulations:**

- define work practices that must be followed when dealing with lead-based paint in older structures. The requirements apply to housing built before 1978, the year lead-based paint was banned nationwide for consumer use.
- expand requirements to protect occupants and workers from lead-based paint hazards until lead hazard reduction work is completed.
- apply to all CDBG housing rehabilitation and acquisition of structures to be used for residential purposes.

Spending over \$25,000 on rehabilitation work (not including lead-based paint remediation) triggers more costly lead-based paint abatement requirements as indicated in ***Appendix I*** (HUD Lead-Based Paint Requirements). Less strict stabilization requirements apply to housing units receiving \$25,000 or less in federal assistance for housing rehabilitation work (not including lead-based paint remediation).

The HUD lead-based paint rule does provide for some important exemptions, such as: housing exclusively for the elderly (persons 62 years of age and older) or housing for people with disabilities (unless a child under age 6 is expected to reside in the home), non-residential properties, and any rehabilitation that does not disturb a painted surface.

## **2. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NEW HOUSING CONSTRUCTION OR REHABILITATION OF AN EXISTING BUILDING.**

**Examine special requirements “a” through “h” below to see whether they apply to your proposed project.**

### **a. Special Requirements for Projects Involving New Housing Construction**

- Applicants proposing new construction to meet multi-family housing needs or the need for additional single family residences must provide data documenting the inadequacy of the community's available comparable housing stock and its condition.

- If new construction of a building is being proposed, the applicant must thoroughly document that no buildings exist within the community which are suitable for purchase and cost-effective modification.
  - This documentation should include an analysis by a professional licensed architect of both the physical and financial feasibility of modifying existing buildings which demonstrates that the most appropriate and cost-effective alternative is new construction.
- **Applicants proposing new housing construction must provide a Preliminary Architectural Report (PAR), as described below and in Appendix S.**
- **All newly constructed housing units have to meet applicable property standards, including Section 8 Housing Quality Standards (or FHA equivalent standards) and State building codes.**
- **When CDBG is used to finance new housing construction work, in whole or in part, federal Davis-Bacon prevailing wage requirements apply.**
- **Threshold requirements for when CDBG funds can be used for new housing construction. Under federal regulations, CDBG funds may be used to finance or subsidize the construction of new permanent residential structures only under the following circumstances:**
  - If a local, community-based, public or private non-profit or for-profit organization constructs the housing;
  - If grant recipients reconstruct housing on the same site which is owned and occupied by low or moderate income persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began; or
  - If grant recipients construct housing of "last resort" as described in 24 CFR, part 42, Sub-part I. This housing is limited to housing that is newly constructed for persons displaced by a CDBG project when the project is prevented from proceeding because comparable replacement housing is not available otherwise.

**b. Assistance for Construction or Acquisition of Rental Units**

- Any activity carried out with CDBG funds that involve the acquisition of property or construction to provide housing is considered to benefit LMI only to the extent that upon completion, the housing will be occupied by LMI persons. **In order for rental units to be acquired or constructed with CDBG funds to be considered as benefiting LMI, the majority of the housing units in a structure must be occupied after rehabilitation by LMI persons and at affordable rents.**
- MDOC encourages applicants to consider the long term feasibility of assisting rental housing using CDBG funds in accord with the following schedule.

<b>Subsidy Amount/Unit</b> (the amount of CDBG assistance provided to a landlord/rental unit owner receiving CDBG assistance for construction or acquisition of rental units)	<b>Minimum Affordability Period</b>
Under \$15,000	5 years
\$15,000 – \$30,000	10 years
Over \$30,000	15 years
New Construction or Acquisition of Newly Constructed Rental Housing (any \$ amount)	20 years

- Rent, occupancy, and affordability requirements for home buyer and rental units will be enforced with covenants, mortgages, or deed restrictions running with the property.
- Current HUD regulations state that all rental income above that needed for operations, maintenance and reserves is considered program income and may be used by CDBG grantees in accord with a CDBG-approved Program Income Plan (see Appendix R).

**c. Special Requirements for Projects Involving Rehabilitation of Buildings**

- If proposing rehabilitation of an existing building, the applicant must thoroughly document that:
  - the proposed improvements are the most reasonable;
  - they represent the best long-term solution; and
  - they are the most cost-effective to meet clearly defined deficiencies.
- The applicant should document consideration of the impact of asbestos, lead-based paint, lead water service lines, historic preservation architectural standards, relocation, and accessibility issues when undertaking this assessment.
- Applicants proposing rehabilitation of an existing building must complete a Preliminary Architectural Report (PAR) described below and in *Appendix S*.
- When CDBG is used to finance the rehabilitation of a residential property that has at least 8 units, federal Davis-Bacon wage rates apply. See Chapter 6 of the July 2009 CDBG Grant Administration Manual (page 6). The CDBG Manual is available online at: [http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp)

**d. Preliminary Architectural Report (PAR) – A PAR is required for new construction and for rehabilitation of existing buildings.**

Applicants requesting assistance for construction of new buildings or rehabilitation of existing buildings must submit a Preliminary Architectural Report (PAR) prepared by a licensed architect that meets the minimum requirements described in *Appendix S*.

- **Appendix S** (Preliminary Architectural Report for New Construction and Rehabilitation of Existing Buildings, Excluding Single Family Residences) can be requested from the CDBG Program. It is also available on-line at: [http://comdev.mt.gov/CDD\\_CDBG\\_Hous.asp](http://comdev.mt.gov/CDD_CDBG_Hous.asp)

**e. Detailed Cost Estimates are required for projects involving rehabilitation of single family residential property.**

- Applicants proposing to do rehabilitation of single family residential property, including energy conservation projects, *must include a detailed cost estimate* from a licensed architect or registered contractor.
  - The costs estimates included in the application should outline the intended scope of work and expected costs for rehabilitation *of a typical home in the project area*.
  - The cost estimates are needed to demonstrate that the applicant's proposed activity budget line items for proposed housing rehabilitation expenses are thoroughly explained, reasonable, and well supported.

**f. Special Requirements if your project has special or unusual design features**

- Any special features in the project area or special regulatory standards that will result in an unusual facility design or a more costly design or construction practices (e.g., lack of right-of-way, topography, handicapped accessibility, architectural standards for historic preservation) should be described.
- Applicants should also indicate the sources of cost estimates for each special design activity.
  - The cost estimates are needed to demonstrate that the applicant's proposed budget for any proposed special design expenses are thoroughly explained, reasonable and well supported.

**g. A Cash Flow Analysis (Forecasted Project Cash Flow Statement) is required for Multi-Family Housing projects.**

- **CDBG applications proposing new multi-family housing construction activities must include a cash flow analysis, a forecasted project cash flow statement (income and expense statement) analyzing income expected to be derived from a project and all project expenses for at least three years.**
  - Projected expenses should include management and administration costs, utility costs, repair and maintenance costs, insurance and taxes, reserves, and debt service.
  - Applicants have the option of providing the income and expense forms found in Sections C-III through C-VI of the *Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs*, online at [http://housing.mt.gov/Hous\\_Apps.asp](http://housing.mt.gov/Hous_Apps.asp)
- **In addition, applicants must provide a narrative response that thoroughly describes and explains the assumptions that the applicant has made.**

**h. Manufactured Housing (Mobile Homes) requirements**

**HUD defines a manufactured home (mobile home) as follows:**

"Manufactured home" means a structure, transportable in one or more sections, which in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

- **For projects proposing rehabilitation of manufactured housing (mobile homes), the following requirements apply in order to be eligible for rehabilitation with CDBG funds:**
  - (1) For manufactured housing units considered for rehabilitation, the unit meets or exceeds the standards established by the Manufactured Home Construction and Safety Standards Act 24 CFR 3280. All transportable sections of manufactured homes built in the U.S. after July 15, 1976, must contain a red label. The label is the manufacturer's certification that the home section is built in accordance with HUD's construction and safety standards. HUD standards cover Body and Frame Requirements, Thermal Protection, Plumbing, Electrical, Fire Safety and other aspects of the home. They are published in the Code of Federal Regulations at 24 CFR 3280.
  - (2) The unit and the land it rests on is in common ownership.
  - (3) Upon completion of rehabilitation activities, the unit will be attached to a permanent foundation which cannot reasonably be relocated and which conforms to the Montana Department of Revenue criteria for assessment as an improvement to real property for tax valuation purposes.
  - (4) The unit meets or exceeds the 1993 HUD Manufactured Home Construction and Safety Standards for energy conservation (24 CFR Part 3280 and Part 3282).
    - MDOC will waive these requirements (1-4) only when it finds (based on information provided by the grantee) that no alternative affordable housing is available for residents of such units in the community.
- All rehabilitation work done on manufactured housing/mobile homes must still meet HUD Section 8 Housing Quality Standards (HQS) -- or equivalent FHA standards -- and all other codes (see Section 3, below), as applicable.
  - **The HQS Inspection Checklist:**  
<http://housing.mt.gov/includes/hm/adminmanual/chap10/hmchap10-exh10c.pdf>
  - **HUD Section 8 HQS:**  
[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/24cfr982\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/24cfr982_00.html)
- Local governments undertaking either energy conservation improvements or conventional rehabilitation involving manufactured housing must follow the same procedure for "stick-built" units regarding treatment of lead-based paint as set forth in **Appendix I**.

**COMMENT:** Experience has shown that problems have frequently occurred when attempts have been made to rehabilitate older mobile homes. Similarly, problems have frequently occurred when families are relocated to older mobile homes. Local government grant administrators are encouraged to use extra care and analysis when considering these options.

**Consideration of other alternatives -- such as replacement with a conventional, "stick-built" home in standard condition, purchase of manufactured or modular housing which meets "Energy Star" standards, as well as down payment assistance for home purchase - should be carefully evaluated.**

These alternatives may prove to be far more cost-effective in the long run. For example, when considering applications for mobile home rehabilitation, one community in Montana took into account not only the condition of the unit, but its market value in determining the amount of rehabilitation assistance to be offered. For mobile home units that have rehabilitation needs that are substantially greater than the value of the unit, the applicant can exercise the option of



replacing the unit, with the owner's consent, with a new mobile unit that meets the 1993 HUD Manufactured Home Construction and Safety Standards. In that situation, the applicant will consider providing a down payment for a new mobile unit for the occupant if the occupant is financially capable of carrying a loan for the remainder of the principal.

### 3. **SPECIAL REQUIREMENTS CONCERNING CODE AND STANDARDS ENFORCEMENT**

"Rehabilitation" includes using CDBG funds to make improvements to substandard residential structures. **Such improvements must meet or exceed requirements contained in current editions of the HUD Section 8 Housing Quality Standards (or FHA equivalent standards) and the following current codes adopted by the Building Codes Bureau of the Montana Department of Labor and Industry as listed at [http://mt.gov/dli/bsd/bc/current\\_codes.asp](http://mt.gov/dli/bsd/bc/current_codes.asp) (or updated versions of these codes when adopted by the Building Codes Bureau):**

- International Building Code, 2006 Edition
- International Residential Code, 2006 Edition (one and two-family dwellings and townhouses up to three stories in height)
- International Existing Building Code, 2006 Edition
- Uniform Plumbing Code, 2006 Edition
- International Mechanical Code, 2006 Edition
- International Fuel Gas Code, 2006 Edition
- National Electrical Code, 2005 Edition
- International Energy Conservation (IEC) Code, 2003 Edition
- American Society of Engineers, Boiler and Pressure Vessel Code, 2004 Edition

**Note on Energy Conservation:** Communities proposing rehabilitation or new construction of residential housing units should pay particular attention to the *International Energy Conservation Code (IEC), 2003 Edition*. The code establishes energy conservation standards for improvements to existing residential structure or construction of new residential housing units, as well as standards for other types of construction.

The Montana CDBG Program utilizes **the definition of "substandard buildings"** contained in the latest authorized edition of the International Property Maintenance Code published by the International Code Council. This information is available from the Montana Department of Labor and Industry (MDLI), Building Codes Bureau.

**Permits must be obtained from the MDLI, Building Codes Bureau for all electrical and/or plumbing work (where a licensed plumber is performing the work) undertaken with CDBG funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, some permits will be obtained locally.** The Building Codes Bureau maintains a listing of Montana counties and incorporated municipalities which are certified to enforce building, electrical, mechanical, and plumbing codes. In those cases where the Building Codes Bureau has not certified the grant recipient, permits must be obtained from the Bureau when rehabilitation involves structures with five or more units, or any commercial or public buildings.

**Grantees will be responsible for assuring that proper authorities inspect such work.** Options to provide code inspection may include interlocal agreements with governments that have existing building departments, arrangements with MDLI's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence, local governments are encouraged to utilize the services of a separate individual to perform

inspection services. All electrical and/or plumbing work not done by the owner of a single-family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

**For further information, please contact:**

**Building Codes Bureau/Montana Dept of Labor & Industry**

301 South Park, Room 430 -- P.O. Box 200517

Helena, MT 59620-0517

Phone: (406) 841-2300

**Website:** [http://mt.gov/dli/bsd/bc/bs\\_index.asp](http://mt.gov/dli/bsd/bc/bs_index.asp)

**4. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NON-PROFIT OR FOR-PROFIT ORGANIZATIONS**

- a. **Provide the information requested in Appendix N:** Applicants applying on behalf of non-profit organizations which will operate and own or lease an assisted facility or project or on behalf of for-profit entities that commit to serving LMI citizens must provide the information required in Appendix N (*Special Requirements for Projects Involving Nonprofit or For-Profit Organizations*).
  - Applicants should provide thorough responses to the information requested in *Appendix N* -- it will be used as a key element in ranking applications involving non-profit or for-profit organizations.
- b. **Complete sections A, B, C and D of the *Uniform Housing Application*:** In addition to completing the information required by Appendix N, non-profit and for-profit organizations must submit completed sections A, B, C and D of the *Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs* (2006 Edition).
- c. **Provide both (1) a Projected Cash Flow Analysis and Forecast and (2) a Budget Justification:** CDBG projects (such as assisted living facilities or new rental housing projects) that will be owned and operated by non-profit (or for-profit) organizations, including Community Housing Development Organizations (CHDOs), **must include a forecasted project cash flow statement** (income and expense statement) **for three years** analyzing income expected to be derived from a project and all project expenses.
  - **Projected expenses (Cash Flow Analysis and Forecast) should include:**
    - Management and administration costs;
    - Utility costs;
    - Repairs and maintenance costs; and
    - Insurance and taxes;
    - reserves; and
    - debt service.
  - **Budget Justification:** The projected construction and development costs and long-term operation costs for the project should be thoroughly documented and each line-item expenditure should be explained and justified.

**5. CERTIFIED REGIONAL DEVELOPMENT CORPORATION RESOLUTION OF SUPPORT**

To encourage greater cooperation between Montana local governments and the twelve Certified Regional Development Corporations (CRDC's) across the state, local governments applying for assistance within the Housing and Neighborhood Renewal category are encouraged to obtain a resolution of support from the appropriate Certified Regional Development Corporation (CRDC), where applicable. A list of the CRDCs can be found at

[http://businessresources.mt.gov/BRD\\_CRDC\\_Offices.asp](http://businessresources.mt.gov/BRD_CRDC_Offices.asp) and in **Appendix V** (where a sample CRDC Resolution is provided).

## G. HOUSING AND NEIGHBORHOOD RENEWAL CATEGORY RANKING CRITERIA

Housing and Neighborhood Renewal applications will be evaluated according to the following five criteria and may be assigned up to a maximum of 1050 points:

1. Community Planning and Citizen Participation	200 Points
2. Need	200 Points
3. Project Strategy and Community Efforts	250 Points
4. Benefit to Low and Moderate Income Persons	200 Points
5. Implementation and Management	<u>200 Points</u>
TOTAL:	1,050 Points

**A Housing and Neighborhood Renewal application must receive a minimum score of 700 points in order to be eligible to receive CDBG funds.**

**Each applicant must submit a narrative response to each question in each ranking criterion.**

**Applicants should respond point by point, question by question. List the CDBG question; then provide your response.**

**Failure to respond to a criterion or to comply with a pertinent and important application requirement will result in no points being awarded for that criterion.** For ease of reference, any documentation or exhibits related to the applicant's response to a CDBG ranking criterion should be placed in the application immediately following the applicant's narrative response to that criterion.

**Please note that MDOC has resources to assist you in preparing your grant application.**

**Applicants may call CDBG staff (406-841-2791) to ask questions and to get clarifications.**

**Applicants may borrow copies of previously successful housing and neighborhood renewal applications submitted by communities.**

**Tips on preparing successful applications are also described in Appendix D – FY 2010 Application Instructions and Format for CDBG Housing and Neighborhood Renewal Projects.**

**Other related reference materials are available upon request from MDOC staff.**

## **ASSIGNMENT OF SCORING LEVELS**

Each application will receive points depending upon its overall response to each criterion “relative to its capacity and resources” and in comparison with the other housing and neighborhood renewal applications submitted. The list of general definitions and scoring levels are used as a guide in determining scores for each criterion. There are numerous variables involved in scoring each of the

five criteria; as a result, the point level assigned may be higher or lower than the scoring level definitions would imply.

Each application will be compared to the ranking issues under each ranking level to determine which level, overall, best reflects the application's response or situation relative to the ranking criterion. It should be understood that the ranking team must have the ability to apply flexibility and judgment in assigning scores. In addition, as a result of continuing efforts to improve on the scoring levels, the scoring levels may be modified somewhat at any point in the process.

### **GENERAL DEFINITIONS FOR CDBG RANKING CRITERIA SCORING LEVELS**

The following general definitions would be applied to all non-quantitative ranking criteria relative to the overall quality of the applicant's response or situation relative to the ranking criteria and applicable special requirements. The level actually assigned will also depend upon the applicant's specific responses to the overall ranking criterion and the applicable ranking issues listed under each criterion.

**LEVEL 5:** In order for an application to receive a "LEVEL 5", it would have provided a very complete narration that thoroughly addressed the overall criterion, applicable ranking issues, and minimum requirements, including very complete substantive supporting documentation to support its claims. The Applicant's response to the ranking criterion (or the Applicant's actions or situation relative to the ranking criterion) is considered exemplary, particularly innovative, or to be extremely consistent with the intent of the ranking criterion. There were no ranking issues of any significance that were not adequately addressed.

**LEVEL 4:** In order for an application to receive a "LEVEL 4", it would have provided a very thorough narration addressing the overall criteria, applicable ranking issues, and minimum requirements, with strong documentation to support its claims. The Applicant's response to the ranking criterion (or the Applicant's actions or situation relative to the ranking criterion) is considered above average, very thorough, or to be very consistent with the intent of the ranking criterion. A "LEVEL 4" would not reflect the level of excellence or be as consistent with the intent of the ranking criterion as a "LEVEL 5" would be. The application may not have completely addressed some ranking issues, but these were considered to be minor concerns.

**LEVEL 3:** In order for an application to receive a "LEVEL 3", it would have provided an adequate narrative addressing the overall criteria, applicable ranking issues, and minimum requirements, with acceptable documentation to support its claims. The Applicant's response to the ranking criterion (or the Applicant's actions or situation relative to the ranking criterion) is considered average, adequate, or to be generally consistent with the intent of the ranking criterion. A "LEVEL 3" would meet the minimum requirements needed to respond to the criteria and document compliance with the special requirements pertinent to the ranking criteria. The application may not have adequately considered some ranking issues that were considered to be potentially important.

**LEVEL 2:** In order for an application to receive a "LEVEL 2", it would have provided some narration addressing the overall criteria, ranking issues, and minimum requirements, but may have provided weak or inadequate responses and/or documentation to clearly or completely support its claims or compliance with a requirement. The Applicant's response to the ranking criterion (or the Applicant's actions or situation relative to the ranking criterion) is considered below average, inadequate, or not entirely consistent with the intent of the ranking criterion. The application may not have been complete or did not consider or adequately address some ranking issues that were considered to be important.

**LEVEL 1:** In order for an application to receive a "LEVEL 1", it would have serious weaknesses in its narrative responses to the ranking criterion, ranking issues, and lack critical supporting documentation, or would fail to adequately document compliance with one or more of the general,

threshold CDBG requirements or a critical special requirement for the category to which it applied. The Applicant's response to the ranking criterion (or the Applicant's actions or situation relative to the ranking criterion) is considered very weak, seriously inadequate, or inconsistent with the intent of the ranking criterion. The application either did not address or did not provide sufficient information regarding several critical ranking issues.

**LEVEL 0:** In order for an application to receive a "LEVEL 0", it would have failed to provide a response of any kind or would not meet a general statutory threshold requirement for the CDBG program that is related to the ranking criterion.

## **1. COMMUNITY PLANNING AND CITIZEN PARTICIPATION -- 200 points.**

### **COMMUNITY PLANNING AND CITIZEN PARTICIPATION: RANKING CRITERION 1**

The "Community Planning and Citizen Participation" criterion considers the following, relative to the capacity of the applicant:

- The adequacy and thoroughness of the planning process and citizen participation efforts used by the applicant to identify overall community development and housing needs, including the needs of low and moderate income persons, and the activities or actions it plans to meet the identified needs.
- The extent to which the proposed project is consistent with expressed public opinion and the applicant's community development objectives, as well as the national and state objectives for the CDBG Program.
- The degree to which the applicant has considered the needs of low and moderate income residents and how the proposed project will benefit or impact low and moderate income persons.
- Whether the applicant has provided a reasonable rationale for selecting the proposed CDBG project over other community development and housing needs that were identified.

### **The Community Needs Assessment Process for the CDBG Program**

The basic framework of Montana's CDBG Program was established in 1982 by a 14-member Task Force composed of local government officials that was appointed by the Montana Department of Commerce (MDOC) to design the State's CDBG program. The Task Force recommended including a requirement that communities conduct a "needs assessment" process before applying for CDBG funding. The intent of Task Force members was to encourage Montana communities to move away from a "crisis management" approach to community problem-solving and instead adopt a view of community development as a long-term process of planned, incremental actions to improve the community over time. In addition, the Task Force members felt strongly that broad public involvement was critical for setting community development objectives and to build support to make a CDBG project successful.

Subsequently, in 1984, Congress amended the Federal Housing and Community Development Act to require that each CDBG recipient "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs." According to the legislative history for the amendment, Congress established this requirement to promote better-coordinated strategies for addressing local needs, particularly as they affect low and

moderate income persons. Separately and independently, Montana's CDBG Task Force and Congress developed similar requirements to address similar concerns.

**The Montana CDBG Program requires that each local government applicant for a CDBG Public Facilities or Housing project must conduct a planning process that considers and describes:**

- 1. The applicant's community development needs, including the needs of low and moderate income persons and**
- 2. The activities it plans to meet the identified needs.**

It is the intent of Montana's CDBG Program that governments take full advantage of their local planning programs and not unnecessarily duplicate their local planning efforts solely for the purpose of complying with the CDBG "community needs assessment" requirement. In many cases, a local government may have already identified community development and housing needs and activities to meet the needs by preparing a community "growth policy." Where a community has an existing, adopted growth policy, MDOC strongly encourages local officials to use it to meet the requirement that CDBG applicants "identify community development and housing needs" and activities to meet those needs.

Given the limited resources available to most communities, MDOC discourages stand-alone planning activities or community surveys that are intended only for CDBG application purposes and are not being coordinated with the local government's on-going planning program.

Preparation of a Community Growth Policy is the most effective means by which communities can identify community development needs and prepare a long-range program for implementing those needs. Some alternative approaches for identifying community needs and possible solutions for them are also explored in more detail in the CDBG handbook, *The Community Needs Assessment Process*. Copies are available upon request from MDOC CDBG staff, or available from the CDBG website at: [http://comdev.mt.gov/CDD\\_CDBG\\_CN.asp](http://comdev.mt.gov/CDD_CDBG_CN.asp)

In addition, a revised version of *Montana's Growth Policy Resource Book* is available to assist those communities that have chosen to update existing growth policies or prepare a growth policy for the first time. Please contact CDBG staff (406-841-2791) for more information.

**The CDBG Program requirement is that each local government applicant for a CDBG Public Facilities or Housing project must conduct a planning process that considers and describes:**

- (1) the applicant's community development needs, including the needs of low and moderate income persons and**
- (2) the activities it plans to meet the identified community development needs.**

Therefore, in Ranking Criterion 1 (see Community Planning question A.1, later in this chapter), CDBG asks:

Did the applicant describe (and document) its ***overall community (city or county) development needs -- including the needs of low and moderate income persons, in the areas of (a) economic development, (b) housing and neighborhood renewal, and (c) public facilities*** -- and did the application describe the processes used to determine them?

Some people think that a “needs assessment” means a community survey. A survey is one way to identify community needs, but there are other equally effective techniques. In the past, some local governments have assigned the task of identifying needs to an existing local planning board. Others have formed special short-term task forces or citizen committees or utilized community-wide town meetings, neighborhood meetings, or interviews with community leaders.

Some communities have already conducted very similar planning or needs assessment processes that may be used to meet the federal CDBG requirements to identify community development and housing needs. These include:

- Preparation of city or county growth policies.
- Several counties and multi-county areas have prepared a "Comprehensive Economic Development Strategy" (CEDS) with funding from the U.S. Economic Development Administration (EDA). The CEDS is a prerequisite for receiving financial assistance from several EDA programs.

The CDBG requirement to evaluate community needs and identify activities to meet them can also provide an opportunity to review existing special-purpose plans such as for capital improvements, economic development, housing, or neighborhood renewal areas to determine if they still adequately reflect current conditions, needs, and community priorities.

The needs assessment process does not have to be repeated if a previously-prepared needs assessment or planning process still accurately reflects existing conditions and priorities. **If an existing needs assessment will be used as the basis for re-application, the local government can simply solicit public comments on the previously identified community needs and the planned activities to meet the needs at the first required public hearing -- to see if they still appear to be appropriate.**

**Some local governments have asked how often a community should re-evaluate community needs.** In general, once every five years has been used as a standard, but the timing can vary according to local circumstances, particularly if major changes have occurred within the community. For example, the State Legislature requires that local government growth policies be reviewed every five years and revised, if necessary.

Whether or not your community ultimately decides to apply for CDBG funds, the process of periodically involving local citizens in identifying community needs and possible activities to deal with them is, in itself, valuable. It can provide local elected officials and other community leaders with important feedback from citizens on their major concerns regarding the community and provide a “road map” for future projects to improve the community.

### **Citizen Participation Requirements for the Community Development Block Grant (CDBG) Program**

The citizen participation process should be viewed as more than simply compliance with a grant application requirement. The public involvement process can be a key factor in developing community understanding and support for a proposed CDBG project and ultimately lead to a more successful project. By involving the public up-front in the development of grant proposals, local governments can build the foundation for long-term community support for its community development program. A closely related concern is whether the needs assessment process meets federal CDBG requirements for providing citizens, especially low and moderate income residents, adequate notice and opportunity for meaningful involvement in the local planning process.



The federal Housing and Community Development Act requires MDOC to adopt "a detailed Citizen Participation Plan." To receive CDBG funds, both MDOC and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan. Montana's CDBG Citizen Participation Plan and the required Certifications for Application are found in Appendix Q.

To comply with HUD regulations, the Montana Department of Commerce has adopted the following requirements to insure adequate citizen participation:

Unless re-applying for the same project submitted unsuccessfully in the previous year, the applicant must hold a minimum of two public hearings -- one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application.

Applicants should hold the first public hearing not more than twelve months prior to the date of application.

The second public hearing should be held not more than three months prior to the date of application.

A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; applicants should provide a list of the names of persons who attended and a summary of comments by local officials and citizens which is sufficient to reflect the comments made by those attending the meeting.

Applicants reapplying for the same project that was submitted unsuccessfully in the previous year must still hold at least one public hearing prior to the passage of the resolution by the governing body authorizing the submission of the application. The applicant should hold the hearing not more than three months prior to the date of application.

If an unsuccessful CDBG applicant is re-applying for a CDBG project, or if a community has previously gone through a needs assessment process, it is not necessary for the community to repeat the process "from scratch." If the community development and housing needs and planned actions to deal with them that were previously identified still appear to accurately reflect existing community conditions, the local government can simply solicit public comments on the previously identified community needs, and the planned activities to meet the needs, at the first required public hearing to confirm that the previous needs assessment still appears valid.

Public notice must be provided before public hearings are held. Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. Where possible, notice should also be directed to persons of low and moderate income or those persons who will benefit from or be affected by CDBG activities and/or groups representing low and moderate income persons.

Hearings must be held at times and locations convenient to the general public and with reasonable accommodations for handicapped persons. For hearings where a significant number of non-English speaking residents can be reasonably expected to participate, federal law requires that arrangements be made to have an interpreter present.

In all cases, the local government must conduct the required public hearings, even if the local government is considering applying on behalf of a subrecipient, such as a local housing authority, human resource development council, or a county water and sewer district. Having the local government conduct the hearings, rather than delegating the task to a potential subrecipient of the CDBG funds, provides the most objective forum for considering alternative community needs (and potentially competing proposals for CDBG projects) and encourages a more frank discussion regarding any proposed community development projects. At its discretion, the local government may



delegate the task of holding the hearing to a local government agency such as a local planning board or planning and community development department.

**SUGGESTION FOR APPLICANTS:** The required CDBG “hearings” do not have to be formally structured or even be conducted in a traditional hearing format to meet the CDBG public hearing requirement. Local officials and MDOC staff are well aware that formal public hearings are sometimes a very ineffective means of getting people involved or encouraging meaningful dialogue or discussion.

The CDBG Program encourages a neutral setting that promotes open discussion and an exchange of ideas regarding all community development and housing needs, and possible solutions for those needs. This can include an open town meeting or facilitated small group discussion with a final summation of identified community needs and solutions. Local officials may also want to use additional public involvement techniques such as open houses or presentations to local organizations to make more citizens aware of community needs and to solicit their ideas on activities or projects to address community problems. In addition, applicants should consider scheduling meetings at times when the majority of local citizens may attend.

### The First Public Hearing

The purpose of the first public hearing is to provide an objective and neutral forum for considering overall community needs and potentially competing or alternative proposals for CDBG projects to deal with those needs, within the local government’s jurisdiction. The first hearing:

- is intended to give citizens an opportunity to identify and discuss their community’s overall community development and housing needs, including the needs of low and moderate income persons, and to propose possible community improvement projects to meet those needs, before the local government makes a decision on what project or projects it will seek CDBG assistance for.
- should also inform the public about:
  - the amount of state CDBG funds estimated to be available to Montana communities, and
  - the kinds of activities that are eligible to be assisted with CDBG funds.

The federal Housing and Community Development Act requires that the public be provided with “information concerning the amount of funds available for proposed community development and housing activities and the range of activities that may be undertaken....” **Applicants should hold the first public hearing within twelve months of the date of application.** *Appendix H* provides a model notice for the first public hearing.

The site of the first public hearing should be a neutral one that would encourage fair and impartial consideration of all potential CDBG projects. As a practical matter, MDOC CDBG staff understand that local officials may have a possible project in mind for a CDBG application before the first public hearing to “identify community development and housing needs” is held. However, it is very important that the location of the first hearing be considered a neutral site, not intended to skew the selection of the proposed project toward a pre-determined community need, so that all potential CDBG projects can receive fair consideration before a decision to submit a particular project is made.

For example, even though a county government may be considering a project to serve a particular unincorporated community, the first public hearing should be held in the county seat, rather than in that unincorporated community, so that all potential community development and housing needs can receive fair and impartial consideration as a potential CDBG project.

The same concept would apply to a city considering a project in a particular neighborhood. Example: A local government may be considering an application on behalf of a non-profit organization, such as for improvements to a senior center. In this case, it would be inappropriate to hold the hearing for identifying community needs at the senior center since this may discourage advocates for other community needs from coming forward or speaking out.

To minimize duplication, local governments may use advertised public hearings related to their planning program or other funding applications to meet the CDBG requirement for a public hearing prior to preparation of their CDBG application, as long as overall community needs and possible solutions are considered. **An increasing number of Montana counties and cities are cooperating to publicize and hold joint annual hearings to consider overall community development and housing needs for both the city and county.** By this means, a single public hearing can meet the requirements of several state or federal programs, such as the MDOC CDBG, HOME, or Treasure State Endowment Programs (TSEP). This approach can also make participation more convenient for the public or interested organizations or groups.

### **The Second Public Hearing**

**The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed CDBG project (especially low and moderate income persons) or residents of the project area adequate opportunity to consider the potential impacts and benefits of the community's proposed project and to comment on it, before the community submits the application.**

**The second hearing should be held within three months of the date of application.**

**At the second public hearing, specific CDBG program requirements and related project issues should be reviewed.** For example, if taxes or user charges will need to be increased as part of the cost of financing a CDBG project, it is especially important that residents be informed and understand the necessity of raising user costs. This is the key hearing at which the public should have the full opportunity to review and comment on the details of the scope and design of the proposed project, as well as all projected financial responsibilities falling on project beneficiaries.

**To facilitate the participation of citizens who may be most affected by a proposed project, local officials may wish to hold the second public hearing in a location near the proposed project site, such as in an unincorporated community or a neighborhood in a larger city.** For the second public hearing it would be appropriate, for example, to hold the hearing at a senior center proposed to be assisted with the CDBG project. Local governments may conduct a single, consolidated public hearing to address the public hearing requirement for other funding programs while meeting the CDBG second public hearing requirement.

**The date of the second public hearing on the proposed CDBG project should be held far enough in advance of the application deadline so that local officials would have a reasonable amount of time to deal with any suggestions or concerns stated by citizens at the hearing.** Appendix H includes a model notice for the second CDBG public hearing.

**COMMENT:** The CDBG Program is more concerned about substance than form. It's not the number of hearings or meetings that have been held -- it's the quality of the dialogue that is taking place among and between citizens and the local officials.

Does the needs assessment and citizen participation process reflect one-way communication of a project that is a "done deal" where the basic concept or design has been decided in advance by a consultant or are local officials really soliciting public suggestions and listening to what is being said? Are they willing to modify the proposed project in response to public suggestions or concerns? Is the process "bottom-up" or "top-down?"

**DIRECTIONS FOR APPLICANTS FOR RANKING CRITERION 1:**

- The MDOC CDBG staff will consider the APPLICATION RANKING ISSUES listed below in scoring applications for Ranking Criterion 1.
- To reduce duplication, the applicant may reference other sections of the application where the issue has already been addressed. In addition to providing a reference, you should include a statement that describes the relationship of what is being referenced to the ranking issue or special requirement. For example, you might state: "For our response to question B.2 of Ranking Criterion 1, please see Exhibit 1-E, paragraphs a-c, where we provide a detailed description of alternatives we considered at our first public hearing." Another example: You might state, "See Exhibits 1-C and 1-D where we discuss the requirements and issues referenced in question A.4 of Ranking Criterion 1."
- In addition, for ease of reference, applicants should provide any appropriate documentation or pertinent exhibits immediately following their responses to the *APPLICATION RANKING ISSUES*, rather than appending them to the end of the overall application.
- Appropriate exhibits for Ranking Criterion 1 would include minutes of hearings, attendance sign-up sheets, newspaper clippings, newsletters, special bulletins, flyers etc. regarding the needs assessment process, public hearings and any other related public meetings.

**APPLICATION RANKING ISSUES FOR CRITERION 1:**

**A. Community Planning**

1. Has the applicant described and documented its **overall community (city or county) development needs -- including the needs of low and moderate income persons**, in the areas of (a) economic development, (b) housing and neighborhood renewal, and (c) public facilities -- and did the application describe the processes used to determine them? (Overall community needs are the needs of the county or city as a whole -- economic development needs, housing and neighborhood renewal needs, and public facilities needs.)
2. Has the applicant described its relative priorities for responding to the identified overall community development needs? (Priorities may be listed in an adopted Growth Policy or established during Needs Assessment hearings and surveys. Include a copy of the Growth Policy, or relevant excerpts. Include Needs Assessment survey documents and survey analysis. Include a complete copy of the Capital Improvements Plan / CIP, if the applicant has one. See Appendix X for more information about growth policies and CIPs.)
3. Has the applicant described and documented the actions or activities it plans to meet the identified overall community development needs -- a) economic development needs, b) housing and neighborhood renewal needs, and c) public facilities needs.)? (Recommendations included in an adopted Growth Policy may document planned actions or activities. Include the Growth Policy document or pertinent excerpts. Include a complete copy of the CIP.)

4. Has the applicant described its rationale for selecting the proposed CDBG project over other potential community projects that were considered? (If this is a county application, did the county describe its rationale for why the proposed CDBG project should be the highest priority over other potential needs within the county that were considered?)
5. Has the applicant described its established priorities for dealing with its housing and neighborhood renewal needs through a housing element included in an adopted growth policy?
6. (a) Did the application identify any significant patterns or concentrations of lower income households or groups of particularly disadvantaged persons (such as single parent heads of households or seniors) in the community (city or county), or consider public facility or other community problems that especially affect the welfare of low and moderate income residents?  
(b) Did the application show how the proposed project would benefit or impact these persons?
7. Does the application show that the proposed project appears reasonable and appropriate, given long term demographic trends as reflected by Census 2000 – for example, population increases or decreases, growth in unincorporated areas, increases in elderly population, etc.? (Please see **Appendix T**, which will lead you to 1970, 1980, 1990, and 2000 Census information for all Montana counties, incorporated cities and towns, and special Census Designated Places. Also see **Appendix P**, Resources for Evaluating Local Housing Needs.)

## **B. Citizen Participation**

1. Did the application describe (and document) the process used to encourage citizen participation in the identification of overall community development needs (in the areas of economic development, housing and neighborhood renewal, and public facilities)?
2. Did the application describe (and document) the actions or activities the applicant plans to take meet the identified community development needs?
3. Did the application (a) describe the dates, times, and locations of the two required public hearings and (b) provide copies of attendance lists, meeting summaries or minutes sufficient to reflect comments made by local officials and the citizens attending. For example, do the minutes reflect the fact that at the first public hearing citizens were given the opportunity to discuss community needs in general (not just those related to the contemplated CDBG application) and that specific project details were thoroughly covered at the second public hearing?

### ***Your application will likely rank higher if:***

- the date of the first public hearing was well in advance of the deadline for application;
- the date of the second public hearing was far enough in advance of the deadline for application that any public concerns could have legitimately been addressed by local officials, rather than at the last minute prior to the application deadline.
- the times and locations of the public hearings would have been conducive to encouraging public involvement of working people, rather than scheduled during day time, working hours.
- the location of at least the initial needs identification hearing would be considered neutral and not designed to skew the selection of the project for the CDBG application toward any particular project.
- a reasonable cross-section of local residents attended the hearing, in addition to local officials, project consultants, etc.

- you provide complete attendance lists, and adequate meeting summaries or minutes sufficient to reflect comments made by local officials and the citizens attending the public hearings or other meetings held.

You will want to demonstrate that your community or county undertook efforts to encourage citizen participation, including efforts to involve low and moderate income residents, in the process of identifying overall community needs, possible activities or actions to address them, and the selection of the CDBG project and project area.

In addition to documentation of public hearings, you'll want to include documentation of newspaper articles, copies of special mailings, public opinion surveys, letters of support, etc.

If your community has conducted a public opinion survey, you should provide an analysis and interpretation of the responses and the implications for possible activities or actions to address identified needs or concerns.

4. Does the application show/document that the proposed project is consistent with expressed public opinion and that it has strong public support?
  - a. Did the applicant show that the public had reasonable opportunity to make comments on the proposed project and have any concerns been addressed by local officials?
  - b. Did the applicant document any public comments which suggested that the project could potentially have any negative impacts on the community, community service providers or recipients, or LMI, senior or disabled persons living in the community? Did the applicant document its response to such comments?
  - c. Did the applicant document that the desires of the persons to be served by the project been solicited and articulated through meetings, surveys, or other means?
  - d. Did the applicant demonstrate that the project reflects the expressed preference of potential project beneficiaries regarding project details such as location, design, and scope?

### **C. National and State CDBG Objectives**

1. Is the applicant's proposed project consistent with the primary objective of the CDBG Program: "The development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income?"
2. Has the applicant described the one national objective for the CDBG Program that is most appropriate and pertinent to the proposed project? (See **Appendix B.**)
3. Has the applicant described the one state objective for the CDBG Program that is most appropriate and pertinent to the proposed project? (See **Appendix C.**)

*(Applicants should **not** provide an extensive response referencing multiple national and state CDBG objectives.)*

### **D. Other Information**

Did the applicant provide any other pertinent information that could improve the application's score for this ranking criterion?

**SCORING FOR RANKING CRITERION 1**

Each application will receive points depending upon its overall response to the "Community Planning and Citizen Participation" criterion, in comparison with the other applications submitted:

<b>BEST</b>	5 --	200 points
	4 --	160 points
	3 --	120 points
	2 --	80 points
	1 --	40 points
	0 --	0 points

## 2. **NEED** -- 200 points

The “Need” ranking criterion will evaluate need from two perspectives:

1. the applicant’s **need for the CDBG project**, and
2. the applicant’s **overall need for CDBG financial assistance**.

The “Need” ranking criterion considers the following, relative to the capacity of the applicant:

### 1. NEED FOR THE CDBG PROJECT

The need for a local housing and neighborhood renewal project can result from a variety of causes including the deterioration of the local housing stock and other buildings, property abandonment, the lack of affordable housing due to an inadequate supply of housing units, low household incomes, high financing costs, strong market demand, or rising energy costs. The Need criterion will consider the overall need for the activities to be addressed by the proposed CDBG project in comparison with the needs reflected in the other Housing and Neighborhood Renewal applications submitted for funding.

Applicants proposing CDBG-funded activities that, overall, are considered to be addressing the most severe and immediate needs will receive the highest score. **In ranking the relative “need for the project” among competing applications, priority will be placed on:**

- addressing community housing or community renewal needs that are directly related to protection of public health and safety, as documented in a Preliminary Architectural Report (PAR) or housing condition survey; in these cases, CDBG will also consider the proportion of the total community assisted and the extent to which low and moderate income (LMI) residents or especially needy residents are affected;
- addressing housing problems which especially affect low-income residents of the community or particularly disadvantaged persons considered at risk for securing affordable, decent, safe, and sanitary housing (minorities, single parents with children, elderly or children, or the physically or mentally disabled); and
- whether the need for the proposed project has been well documented by a thorough analysis of the community's overall housing needs, as well as the needs within the project area, or for the persons who are to be assisted by the proposed project.

**Highest priority will be given to housing and neighborhood renewal projects that are designed to eliminate serious and immediate threats to the public’s health or safety.** Combining high priority activities with activities considered lower priority may result in the assignment of a lower overall ranking score.

### 2. OVERALL NEED FOR FINANCIAL ASSISTANCE

The evaluation of the applicant’s “overall need for financial assistance” will consider whether:

- the applicant's presentation of the proposed project budget, funding strategy, and documentation of local financial limitations clearly support the applicant's need for the amount of CDBG financial assistance requested;
- the applicant has demonstrated that the level of financial participation in the proposed project

by local government and private or non-profit entities is the maximum that can reasonably be expected; and

- the applicant's overall need for CDBG assistance is comparatively greater than other applicants' needs.

**Applicants should request CDBG funding only to the extent that they cannot finance their projects without CDBG assistance:**

- The analysis of the need for CDBG financial assistance will consider the overall level of funding available to assist the proposed project from various sources.
  - The financial analysis will evaluate the ability of the applicant, sub-recipient, and/or intended beneficiaries to borrow funds or to otherwise finance a project without the use of CDBG funds or with a lesser amount of CDBG funds.
  - The evaluation of the applicant's "need for financial assistance" will also serve as the basis for MDOC's recommendations regarding the amount of financial assistance to be awarded each project.
- 

**REQUIREMENTS TO BE ADDRESSED IN THE APPLICATION (when applicable to your project):**

**A. Requirements for Projects with Housing Rehabilitation Activities**

**Applicants proposing housing rehabilitation activities should:**

**1. Provide housing condition information for the proposed project area.**

- **Applicants are encouraged to utilize "External Condition of Structures" data available from the Property Assessment Division of the Montana Department of Revenue.**
  - See #4 on the next page. This data and corresponding maps are available for all incorporated municipalities and may be requested from the MDOC **Community Development Division's *Community Technical Assistance Program (CTAP)***.
  - Details are provided in Appendix L, Housing Conditions Data. CTAP assistance and resources are available to all applicants at:  
[http://comdev.mt.gov/CDD\\_ctap.asp](http://comdev.mt.gov/CDD_ctap.asp) or by calling the CTAP office at (406) 841-2598.
- **Applicants may include additional information regarding housing conditions in the designated project area from the *Statewide Housing Condition Study* which is available from the MDOC Housing Division (841-2820), on-line at:  
[http://housing.mt.gov/Hous\\_CP\\_HsgCondStdy.asp](http://housing.mt.gov/Hous_CP_HsgCondStdy.asp).**

**2. Provide a narrative description of conclusions** drawn from the housing conditions data provided concerning the proposed project area.

**3. Provide a map (or maps) of the proposed project area.** The map(s) should graphically represent the local housing condition information by indicating the location and condition of all structures in the proposed project area. Applicants are encouraged to utilize the external condition of structures data map available from the Property Assessment Division of the Montana Department of Revenue.



- **The summary and map(s) should also address the general condition of nonresidential structures and land uses within the proposed project area** -- as well as any blighting features in the area, noting which would and would not be addressed by the proposed project.
4. **If using data from the Montana Department of Revenue, Property Assessment Division, include the number and percentages of residential parcels identified as:**
- ✓ Unsound
  - ✓ Very Poor
  - ✓ Poor
  - ✓ Fair
  - ✓ Average
  - ✓ Good
  - ✓ Unknown
  - Plus, include any additional information regarding vacancy of housing units, if known, and about the existence of other blighting conditions within the project area.

**B. Requirements for Projects Involving Non-profit and For-profit Organizations**

The CDBG program needs to be able to verify the financial viability and capacity of organizations to be involved in the construction, ownership and long-term management of projects proposing to use CDBG funds.

- **Applicants applying on behalf of sub-recipient non-profit and for-profit organizations which will construct, operate, own, or lease an assisted facility or project should provide all information required by Sections C and D of Appendix N.** Responses to the information requested will be utilized by CDBG staff in the ranking of Criterion 2 and Criterion 5. Please see item 4 of Section C (Special Requirements for Projects Involving Non-Profit or For-Profit Entities) of this chapter.

**C. Requirements for Projects for the Construction of a New Building or the Rehabilitation of an Existing Building Other Than a Single Home**

Applications for projects for the construction of a new building to be used for housing (or for the rehabilitation of an existing building to be used for housing) **must submit a Preliminary Architectural Report (PAR).**

- The PAR must meet the minimum requirements described in **Appendix S** (Preliminary Architectural Report for New Construction and Rehabilitation of Existing Buildings, Excluding Single Family Residences). Applicants may reference the PAR in responding to the “Need” ranking criterion. Attached exhibits should include documentation sufficient to verify the housing needs and conditions that are to be addressed by the proposed project and need for CDBG financial assistance.

**MDOC's Census and Economic Information Center**

**An important source for housing-related data is MDOC's Census and Economic Information Center (CEIC, 406/841-2740), the official source of U.S. Census data for Montana.** CEIC is located within the Business Resources Division of the Montana Department of Commerce and assists individuals, businesses, governments, communities, and economic development efforts by providing Montana demographic and economic information and statistics, as well as technical expertise. CEIC is the designated state agency to provide user access to electronic data from the 2000 Census and to

receive, reproduce, and distribute maps produced by the U.S. Census Bureau. CEIC coordinates Census 2000 programs in Montana for the Census Bureau and adds new data to its website as the U.S. Census Bureau releases it. CEIC also maintains a collection of documents and electronic files that address the economy and population of the state (historical as well as current), including special papers and statistical reports from federal agencies and other Montana state agencies. CEIC compiles and updates the Montana County Statistical Reports, which are a collection of demographic and socioeconomic data for the state of Montana and its 56 counties. The Census and Economic Information Center's website <http://ceic.mt.gov/index.asp> allows anyone to research and gather pertinent data in an easily accessible manner.

### **The Montana Consolidated Plan**

Another excellent source for housing-related data is the **Montana Consolidated Plan for HUD** (Department of Housing and Urban Development) published by the Montana Department of Commerce's Housing Division. Contact the Consolidated Plan Coordinator with the HOME Program at (406)841-2820, or e-mail the Housing Division at its message site [http://housing.mt.gov/Hous\\_Contact.asp](http://housing.mt.gov/Hous_Contact.asp) to request a copy of the current Plan and any published updates or related studies. You can find a description of the Consolidated Plan and other MDOC Housing Division resources in **Appendix P** and at the Housing Division website: [http://housing.mt.gov/Hous\\_CP.asp](http://housing.mt.gov/Hous_CP.asp)

#### **DIRECTIONS FOR APPLICANTS FOR RANKING CRITERION 2:**

The MDOC CDBG staff will consider the application ranking issues below in scoring applications for Ranking Criterion 2.

To reduce duplication, the applicant may reference other sections of the application where the issue has already been addressed. In addition to providing a reference, applicants should include a statement that describes the relationship of what is being referenced to the ranking question, issue or special requirement. For example, you could state, "Our response to question A.6 of Criterion 2 is found in our Exhibit 2-C. Also please see our response to questions C.4 of Criterion 5 where we provide additional discussion of our project strategy relevant to question A.6."

- Ranking Criterion 2 will also be scored based upon the answers to the questions and on information contained in (1) the applicant's *Uniform Application for Montana Housing Loan, Grant, & Tax Credit Programs* and in (2) any applicable Preliminary Architectural Report (PAR). Applicants should reference pertinent sections of the Uniform Application and any applicable PAR in their narrative responses.
- In addition, for ease of reference, applicants should provide any appropriate documentation or pertinent exhibits immediately following their responses to the *APPLICATION RANKING ISSUES*, rather than appending them to the end of the overall application.
- Appropriate exhibits for Ranking Criterion 2 would include needs assessment documents, structural conditions survey documents, minutes of needs hearings, housing plans, demographic charts and maps, letters from potential participants, city or county budgets and explanations of the budgets, budgets of non-profits involved, letters of commitment from funding sources, letters sent to/from other possible funding sources, responses to Appendix N's questions, operating plans, descriptions of past and current methods of operations, financial statements, projections of cash flow, newspaper clippings regarding the housing needs, public hearings and any other related public meetings.

## **APPLICATION RANKING ISSUES FOR RANKING CRITERION 2:**

### **A. QUESTIONS CONCERNING THE NEED FOR THE CDBG PROJECT**

1. (a) Did the applicant's analysis document long-term, local demand for additional affordable and decent housing that is needed to support community development?  
  
(b) Has the need for the proposed project been well documented by a thorough analysis of the community's overall housing needs, as well as the needs within the project area, or for the persons who are to be assisted by the proposed project?
2. Has the application clearly documented an inadequate supply of affordable, decent, safe, and sanitary housing stock to serve low and moderate households (owners or renters)?
3. (a) Does the application's analysis of housing needs address the existence of dilapidated housing or other structures or the existence of blighting conditions and renewal needs within particular neighborhoods or areas within the community which discourage reinvestment?  
  
(b) If applicable, did the application describe the situation and attach maps?
4. (a) Did the applicant identify any housing problems that especially affect low-income residents (homeowners and renters) of the community or particularly disadvantaged persons considered at risk for securing decent, safe, and sanitary housing (minorities, single parents with children, elderly or children, or the physically or mentally handicapped)?  
  
(b) Does the application explain how would the proposed project relates to and impacts the housing problems affecting these groups?
5. Did the applicant address community housing or community renewal needs that are directly related to protection of public health and safety, as documented in a Preliminary Architectural Report (PAR) or housing condition survey? (In these cases, CDBG will also consider the proportion of the total community assisted and the extent to which low and moderate income (LMI) residents or especially needy residents are affected. Highest priority will be given to housing and neighborhood renewal projects that are designed to eliminate serious and immediate threats to the public's health or safety. Combining high priority activities with activities considered lower priority may result in the assignment of a lower overall ranking score.)
6. (a) Does the application include a housing element of a growth policy?  
  
(b) Does the growth policy/housing element address substandard housing units, housing units that represent health and safety problems, and/or housing units in need of rehabilitation for energy conservation purposes?
7. (a) Does the application include an analysis of community housing needs that takes into account long-term population trends as identified through the Census 2000, such as increases or declines in population, increase in disadvantaged groups, increase in numbers of seniors expected to be residing within the community, new development in surrounding unincorporated areas, concentrations of low income households, etc.  
  
(b) Is the applicant's selected project consistent with long-term demographic projections? (See *Appendix T.*)

8. (a) Did the applicant adequately document that a reasonable number of persons have expressed a need for the project and have an interest in taking part in the housing assistance that would be provided by the project? (Applicants are not expected to conduct a pre-screening process to establish eligibility of individual households for the project.)  
  
(b) Did the applicant adequately demonstrate that there are an adequate number of potential clients eligible for the project by utilizing 2000 Census data or by providing supporting data from a market survey prepared for the proposed project?
9. Did the applicant provide any other information to substantiate the need for the proposed CDBG project?

## **B. QUESTIONS FOR ALL HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS:**

### **Overall Need for CDBG Financial Assistance**

1. Did the applicant document serious efforts to consider all appropriate federal, state and local (including program income earned from previous CDBG projects), public and private funding sources that could potentially assist with this project? For example, did the applicant consider utilization of the USDA/RD 504 Program or loan assistance from local lenders?
2. Has the applicant thoroughly demonstrated that other private, and local, State or federal public resources are not available at reasonable cost to address the identified need?
3. Did the applicant document serious efforts to accomplish the leveraging of non-CDBG funds to support the project?
4. Did the applicant or subrecipient clearly explain and document that the specific amount of its request for CDBG financial assistance is necessary and reasonable relative to its financial capability?
5. Did the applicant explain the rationale for amount of non-administrative CDBG funds requested per LMI household? (CDBG funds requested per LMI household is determined by dividing the total amount of CDBG funds requested by the total number of LMI households -- or as appropriate, individuals -- to be served by the proposed CDBG housing and neighborhood renewal project.)

## **C. QUESTIONS FOR PROJECTS INVOLVING NON-PROFIT ORGANIZATIONS OR FOR-PROFIT ENTITIES:**

**The information necessary to score the following questions will be taken from the applicant's response to sections C and D of Appendix N (Special Requirements For Projects Involving Non-Profit or For-Profit Organizations).**

**If any non-profit or for-profit organizations are involved in a proposed project, all the information requested in Sections C and D of Appendix N needs to be provided concerning each of the organizations.** The information requested in Appendix N's Section C (Operating Plan) and Section D (Financial Exhibits) must be included as part of the applicant's response to Ranking Criterion 2 (Need) or Ranking Criterion 5 (Implementation and Management), as appropriate.

Applicants should provide the information as described on following page.

**Past and Current Method of Operation**

1. Did the organization provide financial statements for the past three years of operation, with a complete narrative describing past and current financial operations?
2. If the organization or entity is carrying debt, did the applicant explain the circumstances, how much, the terms and conditions, and when any debts will mature?
3. Did the applicant provide a thorough discussion by line item regarding current and proposed sources and uses of funds? Are they appropriate for the proposed housing and neighborhood renewal project?

**Future Operation Plan**

1. Did the organization provide detailed cash flow and budget projections for a period of three years after project completion, including a line item explanation of projected costs for the facility?
2. Did the organization thoroughly describe why its assumptions regarding long-term expenses and revenues are reasonable?
3. Did the organization explain what the projected debt service would be as a result of this project, and whether the organization can be assured of the long-term cash flow to meet its debt obligations?
4. Did the application include a summary of local Housing Project Policies and Procedures (see page 24 above) that the project will be using to guide and manage project activities?

**D. OTHER INFORMATION**

Did the applicant provide any other pertinent information which could improve the ranking of its application for this ranking criterion?

**SCORING FOR RANKING CRITERION 2**

Each application will receive points depending upon its overall response to the "Need" ranking criterion, in comparison with the other applications submitted:

<b>HIGHEST NEED</b>	5 =	200 points
	4 =	160 points
	3 =	120 points
	2 =	80 points
	1 =	40 points
	0 =	0 points

**3. PROJECT STRATEGY AND COMMUNITY EFFORTS-- 250 points**

**PROJECT STRATEGY AND COMMUNITY EFFORTS: RANKING CRITERION 3**

The “Project Strategy and Community Efforts” ranking criterion considers the following, relative to the capacity of the applicant:

- The degree to which the applicant has developed a cost-effective, well-reasoned, appropriate, and achievable strategy which can reasonably be accomplished with available resources;
- The extent to which the proposed activities represent the applicant's most effective option for achieving maximum impact on selected housing needs;
- Whether the amount of CDBG assistance requested per benefiting household is reasonable and appropriate;
- The degree to which any proposed community renewal or secondary activities are complementary to and in support of the overall housing activities and will enhance the overall impact of the project;
- Where an applicant proposes rehabilitation activities or activities that will result in the construction of additional housing units, whether there is a documented long-term local demand for additional affordable and decent housing units;
- Whether the applicant has demonstrated substantial past efforts and proposed efforts to deal with housing and neighborhood renewal problems through non-financial community efforts, such as a commitment to community planning, land use regulation and code enforcement, blight removal and neighborhood clean-up, past housing projects, or other activities to promote affordable housing, housing choice, and community preservation and reinvestment; and
- If the applicant has demonstrated efforts to avoid adverse impacts from the project.

**REQUIREMENTS:**

**1. Provide A Summary of Your Local Housing and Neighborhood Renewal Project Policies and Procedures**

- An overall summary of the proposed policies and procedures to be used for the proposed housing and neighborhood renewal project must be included in the CDBG application for all housing and neighborhood renewal projects. See page 24 above.

**2. Demonstrate that your project, if a Housing Rehabilitation project, will meet CDBG’s goals and HUD’s Housing Quality Standards.**

- **To the maximum extent feasible given funding limitations, it is a goal of Montana’s CDBG Program that any housing unit rehabilitated with CDBG funds be safe, structurally sound, and energy-efficient upon completion of rehabilitation activities.** For years, HUD has developed and utilized its Housing Quality Standards as the benchmark for units or households to be assisted by the HUD-funded Section 8 Program, which provides rental assistance to income-qualified households.

**3. Demonstrate that your project activities will not exceed the limitation on CDBG Funds per LMI Household (or LMI Individual).**

- In view of the extent of Montana's housing needs and the limited CDBG funds available, MDOC encourages applicants to limit the proposed ceiling on CDBG grant assistance per benefited LMI household or LMI individual for their proposed projects to reasonable and appropriate levels. **MDOC discourages grant assistance (non-loan) over \$30,000 per low and moderate income household or individual -- unless a low or moderate income family or individual clearly lacks sufficient financial capacity to repay a loan and without additional grant assistance, would be denied decent, safe and sanitary housing conditions.**
- **Applicants contemplating grant assistance that would exceed \$30,000 per LMI household should contact the CDBG Program to discuss the circumstances involved.** The \$30,000 per household limitation would not apply to those circumstances where funds are **loaned** to families which would later be recaptured at the time of sale and then made available for loans to assist other LMI households.

- **The amount of CDBG funds per LMI household** is determined by dividing the total amount of non-administrative CDBG funds requested by the total number of LMI households (or, as appropriate, individuals) to be served by the proposed CDBG housing and neighborhood renewal project.

#### 4. Other Requirements

- Applicants responding to this ranking criterion should address, as applicable, the issues in Section F (Special Requirements for Housing and Neighborhood Renewal Projects), beginning on page 23 above. Several of these special requirements are pertinent to this ranking criterion.

#### **DIRECTIONS FOR APPLICANTS FOR RANKING CRITERION 3:**

The MDOC CDBG staff will consider the following ranking issues in scoring applications for Ranking Criterion 3.

- To reduce duplication, the applicant may reference other sections of the application where the issue has already been addressed.
- In addition to providing a reference, applicants should include a statement that describes the relationship of what is being referenced to the ranking question, issue or special requirement. For example, you might state: "For evidence supporting our response to question A. 2 of Criterion 3 (asking about why our rationale for selecting the proposed housing activities as the most appropriate ones to meet the identified), please see our Exhibit 4-F, which has additional analysis of the survey we conducted in the summer of 2008 and additional discussion of the alternatives we considered."
- Ranking Criterion 3 will also be scored based upon (a) the information contained in your answers to the questions below – and (b) additional information you provided in the *Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs 06 Edition* (available on-line at: [http://housing.mt.gov/Hous\\_Apps.asp](http://housing.mt.gov/Hous_Apps.asp)), and (c) if applicable, on the information provided in response to Appendix N, and (d) in any PAR or PER prepared for the project. In order to avoid repetition, you may reference your responses to pertinent sections of the Uniform Application or Appendix N in your narrative responses.
- **NOTE:** If the applicant local government is applying on behalf of a sub-recipient (such as a private non-profit organization or a local government entity such as a housing authority), *the responses to the applicable questions below should describe the corresponding "Project Strategy and Community Efforts" of BOTH the local government AND the organization on whose behalf the local government is applying.*

- In addition, for ease of reference, applicants should provide any appropriate documentation or pertinent exhibits immediately following their responses to the *APPLICATION RANKING ISSUES*, rather than appending them to the end of the overall application.

### **APPLICATION RANKING ISSUES FOR RANKING CRITERION 3:**

#### **A. Project Strategy – Questions Applicable to ALL Proposed Housing and Neighborhood Renewal Projects**

1. Has the applicant provided a well-reasoned, cost-effective, appropriate, and achievable strategy that can be reasonably accomplished with available community resources, along with any other necessary state and federal public housing resources (including Program Income earned from previous CDBG projects)?
2. (a) Has the applicant demonstrated a sound and persuasive rationale to explain why the housing activities proposed are the most appropriate ones to meet the identified needs by discussing the alternatives considered before selecting this option? (b) If a Preliminary Architectural Report (PAR) is required for the proposed project, please discuss the alternatives considered in the PAR.
3. Has the applicant demonstrated that it has realistically evaluated the availability of local private resources to accomplish the proposed activities, such as local lenders, contractors, lead-based paint inspectors and contractors trained in stabilization or abatement, building material suppliers, property management companies, first-time home buyer programs, or temporary tenant relocation sites?
4. (a) Has the applicant demonstrated that the proposed project strategy is reasonable and appropriate, taking into account documented local demographic trends and housing conditions? (b) Has the applicant documented long-term local demand for additional decent and affordable housing units?
5. If the applicant is proposing to rehabilitate single family residences, have the required cost estimates been obtained from a licensed architect or registered contractor to assess the expected average cost of rehabilitating substandard dwelling units in accord with the project's proposed scope of activity?
6. Does the application document that the proposed project strategy is reasonable and appropriate regarding the number and type of housing units and the CDBG cost per unit to be assisted, as well as the extent of improvements proposed?
7. (a) In those cases where CDBG funds will be granted to qualified households, do the CDBG funds requested exceed \$30,000 per LMI household or LMI individual assisted? (b) (If yes, has the applicant adequately justified the proposed level of assistance per household?)
8. Has the applicant demonstrated that the project would likely leverage other public and private sector resources?
9. (a) Are any proposed funding "leveraging" arrangements clearly documented by firm commitments from developers, financial institutions, or organizations? (b) Do the



commitments include concessions from standard financing terms or conditions such as reduced origination fees or interest rates?

10. (a) Did the application include a summary of local Housing Project Policies and Procedures (see page 24 above) that the project will be using to guide and manage project activities?  
  
(b) Do the proposed policies for CDBG financial assistance provide for analysis of the financial situation of each housing assistance applicant, including homeowners, renters, and landlords to ensure that terms and financing techniques are appropriate, affordable, and consistent with prudent management of limited public funds?
11. Does the application demonstrate that the proposed project strategy is reasonable and appropriate given public opinion and the potential response of homeowners, renters, the owners of rental housing, or any other interested parties to the proposed project design?
12. Has the applicant proposed any community renewal activities (or other supportive activities complementary to the principal housing activities) that are likely to enhance the overall impact of the project and increase the visible impact of the project on the neighborhood or other area of the community to be assisted? (Supportive activities might include: financial counseling, home buyer/home maintenance workshops, provision of rehabilitation workshops for non-CDBG eligible residents, or energy conservation/weatherization activities, or referral programs to publicize non-CDBG options for financing home improvements or home purchase.)
13. Has the applicant demonstrated a long-term commitment and substantial past community efforts and proposed efforts to deal with housing and neighborhood renewal problems through non-financial community efforts, such as a commitment to community planning, land use regulation and code enforcement, blight removal and neighborhood clean-up, past housing projects, or other activities to promote affordable housing, housing choice, and community preservation and reinvestment?  

Short-term community efforts will be generally viewed as those that have occurred recently. Long-term community efforts will be generally defined as those that have been on-going, continuing, or regularly updated and kept relevant, as appropriate -- for example, a community that has had a growth policy for several years and regularly updates or regularly prepares or updates housing-related studies, plans, or similar related activities.)

## **B. For Energy Conservation Projects**

***If energy conservation activities are proposed as part of the housing proposal submitted:***

Has the applicant provided evidence that it will leverage the available CDBG funds by coordinating with the Low Income Energy Assistance Program (LIEAP) and the Low Income Weatherization Assistance Program (LIWAP) of the U.S. Department of Energy as administered by the State of Montana Department of Public Health and Human Services and the appropriate Human Resource Development Council for the project area?

**See the LIEAP and LIWAP webpages:**

<http://www.dphhs.mt.gov/programsservices/energyassistance/index.shtml>

**C. For Housing Rehabilitation Projects**

**If housing rehabilitation is proposed:**

1. Has the applicant appropriately documented a reasonable percentage or number of moderately substandard housing units that are most suitable for rehabilitation, with an emphasis on cost-effective rehabilitation?
2. Has the applicant chosen a geographic area or clientele of high need, in terms of concentrations of lower income families and substandard housing suitable for rehabilitation, which offers a reasonable potential for generating substantial recognizable impact?
3. For housing rehabilitation strategies which are based on targeting families with special needs, does the applicant's approach offer a strong potential to reduce substandard housing and community blight, while generating recognizable impact overall?
4. Has the applicant considered all reasonable options to reduce energy costs? For example, will "Energy Star" rated materials and appliances be incorporated into the project design?

**D. For Housing Projects That Will Be Managed or Owned by Non-profit Organizations or Housing Authorities, or by For-profit Entities**

**If a proposed housing project will be owned and/or managed long-term by a non-profit organization, by a housing authority, or by a for-profit entity:**

1. Has the applicant demonstrated that the proposed project strategy is reasonable and appropriate -- particularly with regard to physical design and future operation, given (a) the alternatives considered in the Preliminary Architectural Report (PAR) and (b) the organizational capacity and experience documented in response to the requirements of *Appendix N*?
2. Does the financial and other information provided (in response to *Appendix N*) concerning the organization(s) involved demonstrate that the proposal is cost effective, well-reasoned, appropriate, and viable for the long term?

**E. Describe (and Document) Community Efforts Over the Years  
(TO BE COMPLETED BY ALL APPLICANTS)**

1. Does the application document that (relative to the community's capacity and resources) it has already undertaken or will undertake efforts in the community and/or project area to address housing and neighborhood renewal needs, such as the following: (**Address each of these items in your response**)
  - a. Improving public facilities?
  - b. Past housing projects on behalf of LMI households?
  - c. Demolition of dilapidated, vacant structures or other community clean-up or beautification projects?
  - d. Zoning to encourage compatible land uses in residential areas, including provisions to encourage affordable housing and housing choice?
  - e. Zoning to encourage in-fill development and compatible land uses in residential areas, including provisions to encourage affordable housing and housing choice?

- f. Adopting and actively enforcing "community decay" ordinances for blight removal as authorized under Montana law (Section 7-5-2111, MCA, for counties, and Section 7-5-4104, MCA, for municipalities)?
  - g. Aggressively enforcing the Uniform Code for the Abatement of Dangerous Buildings to eliminate dilapidated or deteriorated buildings, such as the clearance of a substantial portion of unsafe, vacant, deteriorated structures that cannot be economically rehabilitated?
  - h. Coordinating with private affordable housing efforts, such as Habitat for Humanity, Neighborhood Housing Services, or lender-sponsored home ownership training programs?
2. If program income (see Appendix R) from previous CDBG grants has been received, will the applicant commit any available program income funds to the proposed project?

#### **F. OTHER INFORMATION**

Did the applicant provide any other pertinent information which could improve the ranking of the application for this ranking criterion?

#### **SCORING FOR RANKING CRITERION 3**

Each application will receive points depending upon its overall response to the "Project Strategy and Community Efforts" criterion, in comparison with the other applications submitted:

<b>BEST</b>	5 --	250 points
	4 --	200 points
	3 --	150 points
	2 --	100 points
	1 --	50 points
	0 --	0 points

#### 4. BENEFIT TO LOW AND MODERATE INCOME (LMI) PERSONS -- 200 points

##### **LMI BENEFIT: RANKING CRITERION 4**

The “Benefit to Low and Moderate Income Persons” ranking criterion considers the following:

- All CDBG projects must be designed to principally benefit low and moderate income families. In order to be eligible for CDBG funding, each applicant for a CDBG Housing and Neighborhood Renewal project must ensure that at least 51% of the families or persons that will be served by the project are LMI and that its documentation of projected LMI benefit complies with federal and state CDBG requirements.

Each applicant must document in its application that:

- a minimum of 51% of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of low and moderate income (LMI) persons in the project area.
- any activities proposed would not benefit moderate income persons in a manner that would exclude or discriminate against low income persons. *See Appendix J.*

Housing and Neighborhood Renewal projects usually project 100% benefit to LMI households because they can adopt guidelines to assure that only LMI households will receive CDBG housing assistance.

Any activity carried out with CDBG funds that involves the acquisition or rehabilitation of property to provide housing is considered to benefit LMI only to the extent that upon completion, the housing will be occupied by LMI persons. In order for rental units rehabilitated with CDBG funds to be considered as benefiting LMI, the majority of the housing units in a structure must be occupied after rehabilitation by LMI persons at affordable rents.

The following questions are typical issues that will be considered by the CDBG ranking and evaluation team in assigning ranking scores. **If a local income survey was conducted, the application must include a summary of the income survey results and a description of the survey methodology used.** See the MDOC handbook entitled *Documenting Benefit to Low and Moderate Income Persons* (2007 edition) for a discussion of the minimum requirements for local income surveys:

[http://comdev.mt.gov/CDD\\_CDBG\\_LMI.asp](http://comdev.mt.gov/CDD_CDBG_LMI.asp)

**Before conducting a local income survey, CDBG applicants should submit a draft of the survey form they intend to use to MDOC CDBG staff for their review to assure that the results of the survey will be acceptable for ranking purposes.**

Under HUD regulations, MDOC cannot accept the results from a local income survey for ranking purposes unless the applicant has adequately described the survey methodology used and adequately documented that the methodology meets the CDBG requirements, including:

1. correct LMI income levels were used;
2. an acceptable, CDBG-approved survey format was used;
3. the response met the CDBG minimum sample size; and
4. survey sample was either truly random OR the total population was surveyed.

**Note: Applicants must document that the survey methodology used to determine the community's LMI is in accordance with the requirements above.** If this process is not properly documented, MDOC will use HUD community LMI data: [http://comdev.mt.gov/Census\\_Search.asp](http://comdev.mt.gov/Census_Search.asp) instead of the results claimed from a local income survey that fails to meet MDOC requirements.

**REQUIREMENTS:**

**A. Applicants must provide a narrative response that describes how the proposed project will principally benefit LMI persons and comply with the CDBG LMI requirements outlined below.**

- The HUD LMI income limits to be used for CDBG Housing and Neighborhood Renewal applications submitted this year are included in **Appendix K**.

**B. Applicants must provide a completed copy of the “Benefit to LMI Form.”**

- See **Appendix J** for the CDBG Benefit to LMI form and instructions.

**C. Documentation for benefit to low and moderate income persons must be consistent with the most recent (2007) edition of MDOC guidelines, *Documenting Benefit to Low and Moderate Income Persons*, available on-line at the CDBG website:  
[http://comdev.mt.gov/CDD\\_CDBG\\_LMI.asp](http://comdev.mt.gov/CDD_CDBG_LMI.asp)**

**D. Key LMI benefits documentation requirements are as follows:**

**1. For projects with area wide benefit (indirect benefits):**

- (a) Document that the project area is principally residential,
- (b) Verify LMI benefit with HUD LMI data, or
- (c) Verify LMI benefit with local LMI survey and adequately describe methodology.
  - (1) Document that correct LMI income levels were used.
  - (2) Provide a copy of the survey with an acceptable format and a summary of results.
  - (3) Document that the minimum sample size requirement was met. (See pages D-2 through D-4 of *Documenting Benefit to Low and Moderate Income Persons, 2009 Edition*.)
  - (4) Document that the sample was either random or included the total population.

**2. For projects where direct financial assistance to LMI persons is proposed -- or for projects which would involve “*limited clientele*” benefit situations -- describe (and give a plan for) how LMI status will be (or has already been) documented. Either:**

- (a) The clientele is presumed to be LMI under HUD regulations, or
- (b) The applicant can confirm the LMI status of beneficiaries and limit (“target”) benefits to LMI households.
  - For more information on “limited clientele” benefit and “targeting” concepts, see the MDOC CDBG publication, *Documenting Benefit to Low /and Moderate Income Persons, 2009 Edition* (especially pages 5-16).

## **E. Assure Affordability of Rents and Loan Repayments**

### **Assuring Affordability of Rents:**

- HUD regulations require that in order for CDBG assistance to multi-unit structures to qualify as benefiting low and moderate income persons, "...the units must be occupied by low and moderate income persons at affordable rents."
- **If the proposed housing and neighborhood renewal projects will involve assistance to or provision of rental units, the applicant must adequately describe how the affordability of rent will be assured for low and moderate income persons.**

### **Assuring Affordability of Loan Repayments:**

- Where CDBG housing assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable for low and moderate income persons, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the total of the principal and interest, property taxes and insurance (or 35% if the average cost of monthly utilities is included).
- MDOC may permit grant recipients to establish lower standards or alternate debt-to-income ratios that consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses as long as they appear reasonable and equitable.
- **If the proposed housing and neighborhood renewal projects will involve loans, such as for housing rehabilitation or down payment assistance for housing loans, the applicant must adequately describe how the affordability of CDBG-assisted loans will be assured for low and moderate income persons.**

**NOTE:** It should be noted that filling out the Benefit to LMI form is not sufficient in itself, to address this criterion. Applicants must **both** respond to each of the ranking criterion 4 questions (listed below under Application Ranking Issues) **and** sufficiently document the process used to identify LMI households in their community. **If applicants do not do both, they may be assigned the HUD LMI percentage for their community as found at the MDOC website at <http://www.comdev.mt.gov/tsep/target.aspx> as the basis for the score for Criterion 4.**

**Applicants must document the process used in any surveys designed to determine the proposed project's LMI benefit in accordance with the requirements above.** If this process is not adequately documented consistent with CDBG requirements, MDOC will use HUD LMI data rather than the results claimed from a local income survey that fails to meet the CDBG minimum requirements.

## **APPLICATION RANKING ISSUES FOR RANKING CRITERION 4:**

### **A. Affordability of Rents and Loan Repayments**

1. Is the affordability of rents demonstrated?
  - If the proposed housing and neighborhood renewal projects will involve assistance to (or provision of) rental units: Has the applicant adequately described how the affordability of rent will be assured for low and moderate income persons?

2. Is the affordability of loan repayments demonstrated?
  - If the proposed housing and neighborhood renewal projects will involve loans (such as loans for housing rehabilitation or down payment assistance for housing loans): Has the applicant adequately described how the affordability of loan repayments will be assured for low and moderate income persons?

**B. Income Survey (if applicable):**

1. If the applicant conducted an income survey, was the income survey format in accordance with MDOC requirements? (Please provide a sample of your survey format.)
2. Were the correct HUD income levels used for the survey? (Please contact MDOC for the most current HUD LMI limits before you conduct an income survey.)
3. Did the applicant adequately describe the methodology it used to complete that survey?
4. Was the survey sample random or was the total population surveyed? (If a population survey was conducted but less than 100% of the households were surveyed, please explain the methodology for the survey sample.)
5. Did the applicant adequately describe the results of that income survey?
6. Did the applicant's survey meet the required minimum sample size as described on pages D-2 through D-4 of the MDOC publication Documenting Benefit to Low and Moderate Income Persons (2009 edition)?

**C. For projects where direct financial assistance to LMI persons is proposed -- or for projects which would involve "limited clientele" benefit situations --**

- Describe how the LMI status will be (or has already been) documented.

**SCORING FOR RANKING CRITERION 4**

To reflect Congress' intent that CDBG funds principally benefit low and moderate-income families, this criterion assigns points based on the percentage of CDBG funds that will assist low and moderate-income persons, and from the responses to the above criteria.

The percentage of benefit to low and moderate-income persons is determined by dividing (a) the total amount of non-administrative CDBG funds proposed to principally benefit low and moderate-income households by (b) the total amount of non-administrative CDBG funds requested by the applicant.

**Scoring Method:** Applicants will be assigned four points for each documented percentage of benefit to low and moderate income (LMI) persons over 50 percent. Fractional percentages will be rounded to the nearest whole number.

For example: A community could propose a housing activity that will assure that assistance will be provided only to LMI households by screening applicants and requiring documentation of household income. The community would claim 100% benefit to LMI households. The applicant would receive 200 points, as follows:  $100 - 50 = 50 \times 4 \text{ points} = 200 \text{ points}$ .

**SCORING FOR RANKING CRITERION 4:**

\_\_\_\_\_ (Percent LMI Benefit) – (50) = \_\_\_\_\_ x (4 points) = \_\_\_\_\_ points for Criterion 4



## **5. IMPLEMENTATION AND MANAGEMENT -- 200 points**

### **IMPLEMENTATION AND MANAGEMENT: RANKING CRITERION 5**

The “Implementation and Management” criterion considers the following, relative to the capacity of the applicant:

- whether the applicant has clearly demonstrated that the project is feasible and achievable, taking into consideration the nature of the project activities, the size and resources of the community, the budget, and implementation schedule proposed;
- the soundness and appropriateness of the applicant's plan for assuring proper overall management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities;
- the applicant's readiness to implement the project if awarded CDBG funds, including the firm commitment of all non-CDBG funds and resources;
- whether the applicant (or sub-recipient entity) has carefully considered all potential environmental, regulatory, and technical issues which could impact the timely start-up and successful implementation of project activities;
- the soundness of the applicant's (or subrecipient entity's) plans for assuring effective operation and long-term management of any assisted housing facility; and
- the applicant's performance on past and current CDBG-funded projects.

### **REQUIREMENTS:**

#### **A. Legal Jurisdiction and Authority**

- Applicants must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, when applicable, must have the demonstrated financial capacity to repay any debt incurred.
- In all cases, the applicant assumes complete responsibility for proper financial management of the CDBG funds awarded to it and for compliance with all applicable State laws and regulations.

#### **B. Financial Management System and Audits**

- The applicant is in compliance with the auditing and annual financial reporting requirements provided for in the Montana Single Audit Act, 2-7-501 to 522, MCA and has established a financial accounting system that can properly account for grant funds according to generally accepted accounting principles. Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.
- For further guidance, applicants may consult the most recent version of the ***CDBG Grant Administration Manual*** (Chapter 4, Financial Management) at the following website: [http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp).



### C. Management Capacity

- To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing within 36 months of grant award.
- An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, MDOC may request additional information.

### D. Project Management Plan and Implementation Schedule. (See Appendix M.)

- Each applicant must submit a draft project management plan which, at a minimum:
  1. Addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities.
  2. Identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project.
  3. Includes a quarterly schedule for project implementation that identifies the time frames for major activities and expenditures and the coordination of non-CDBG resources for the project.
- To familiarize themselves with CDBG project management requirements, applicants may consult the most recent version of the **CDBG Grant Administration Manual** (Chapters 1, 9, 12, 13) at the following website: [http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp)

### E. Proposed Project Budget and Budget Narrative and Line Item Explanation

- Each applicant must submit a project budget which is accompanied by a narrative explanation of the rationale and assumptions for each line item of the proposed CDBG project activity and related administrative costs. Proposed activities should be prioritized, indicating the most critical and important components where appropriate.
  - See the **Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs (August 2006 Edition)**, [http://housing.mt.gov/Hous\\_Apps.asp](http://housing.mt.gov/Hous_Apps.asp) -- for the required budget form and instructions.

#### Percentage of Grant Funds Allowed for Project Administration:

**The ceiling for local project administrative costs is 10% of the total CDBG grant amount for all Housing and Neighborhood Renewal projects and Public Facilities projects -- with the exception that a 15% ceiling is allowed for housing rehabilitation projects.**

In the case of housing rehabilitation projects, the cost of housing inspection is considered a non-administrative activity cost for the purpose of calculating the maximum administrative percentage. For the last several years, local project administrative costs for public facilities projects have averaged about five percent. Administrative costs for housing projects (other than housing rehabilitation) have also averaged about five percent. Administrative costs for housing rehabilitation projects have averaged about twelve percent.

## **F. Firm Commitment of Funds**

As applicable, each applicant must:

1. **Demonstrate either that firm commitments exist for any other resources to be involved in the project, or that the resources will be available within 9 months of the date of announcement of grant award.**
  - a. CDBG funds are awarded and received according to a two-step process. In the first step, upon the completion of application ranking successful applicants are notified of their tentative grant award before CDBG funds are actually received from the U.S. Department of Housing and Urban Development (HUD).
  - b. Later, as the second step, successful grantees will receive a notice of confirmation of grant award from MDOC after HUD releases Congressionally-approved CDBG funds to the state. This action typically occurs in April of each year.
2. **Specify the amount and use of the funds or resources when documenting a public commitment.**
  - a. Funds or resources committed by a local government must take the form of a resolution by the governing body that specifies the approximate amount of the commitment. (See **Appendix O** of these application guidelines.)
  - b. A letter of commitment from the agency or organization involved must document funds or resources from a State or federal agency or private organization. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the proposed project.

## **G. Environmental Checklist**

- **All applicants must provide a completed “Environmental Request for Information Checklist”** -- found in Section D (Environmental) of the Uniform Housing Application (available on-line at: [http://housing.mt.gov/Hous\\_Apps.asp](http://housing.mt.gov/Hous_Apps.asp)).
- **The applicant must complete the “Comments / Sources” portion of the checklist. Provide a narrative for each checklist items that briefly describes relevant information, and identifies the information source in responding to that environmental issue.**

## **H. Applications on Behalf of Non-profit and/or For-profit Organizations**

- Applicants applying on behalf of non-profit organizations which will operate and own or lease an assisted facility or project and for-profit entities that commit to serving LMI citizens must provide the information required under “Special Requirements for Projects Involving Non-profit or For-profit Organizations,” found in **Appendix N** of these application guidelines.
- Applicants should provide thorough responses to the requested information because it will be used as a key element in evaluating applications involving non-profit or for-profit organizations. Also see Section 4 of this chapter (Requirements for Projects Involving Non-profit or For-profit Entities).

**I. Acquisition, Demolition and Relocation**

- The applicant should provide a plan addressing the administrative and technical issues, mechanisms and procedures that will be involved in carrying out any proposed acquisition, demolition, or relocation activities.
- If proposing acquisition, provide documentation that the property can be purchased or leased within six months of the date of tentative grant award.

**J. Energy Conservation Activities**

- Where an applicant has proposed energy conservation activities that would be coordinated with the LIEAP and/or LIWAP Program administered by the Montana Department of Public Health and Human Services (Montana DPHHS), ***applicants are encouraged to provide a plan for coordination*** between the local Human Resource Development Council and the local government to coordinate the LIEAP/LIWAP energy weatherization assistance activities.
- Local Energy Assistance contacts for Montana communities can be found at:  
<http://www.dphhs.mt.gov/programsservices/energyassistance/eligibilityoffices.shtml>

**K. Procurement of Services**

- If professional services will be necessary for implementation or management of the CDBG project, the applicant must assure free and open competition following CDBG procurement guidelines and state law in procurement of those services -- through the use of a Request for Proposal (**RFP**) or Requests for Qualifications (**RFQ**) process or other CDBG-approved process for free and open competition in procurement.
- See Chapter 3 (Procurement) of the CDBG Grant Administration Manual, [http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp)

**L. Program Income**

- “Program Income” is define as any income earned by a grantee from a CDBG supported activity, such as, repayments of principal or interest to a local revolving loan fund program generated by housing rehabilitation activities. “Program Income” funds are the monies that are received after a project has been completed and closed out and are retained at the local level as authorized by the Montana Department of Commerce.
  - For example, if your local government requested to retain program income received from its CDBG funded housing project after project closeout, it would have had to complete a Program Income Plan as part of the required closeout. This Program Income Plan would outline the use of program income received in conjunction with a revolving loan fund for ongoing housing purposes to assist low and moderate income homeowners or renters, and may have included a goal to fund other eligible CDBG activities.
- If the proposed CDBG project is anticipated to generate future program income, the applicant must include a plan for its future use and propose long-term administrative mechanisms for the oversight of these funds, as explained in greater detail in **Appendix R** of these application guidelines and also in the **CDBG Program Income Manual**, available on-line at:  
[http://businessresources.mt.gov/Includes/CDBG/RLFManual/2005\\_RLF\\_Manual.pdf](http://businessresources.mt.gov/Includes/CDBG/RLFManual/2005_RLF_Manual.pdf)

- Any community that has been receiving program income from a previous CDBG project funded after 1992 must submit a summary of past program income earnings, activities funded, and other information along with the CDBG grant application. (See **Appendix R, Program Income**).
- Under HUD regulations, communities are also required to submit annual program income reports to MDOC if they have received program income from CDBG-supported activities. CDBG program income is more fully discussed in Section 4 (Special Requirements for All Housing and Neighborhood Renewal Projects) of this chapter.

## **APPLICATION RANKING ISSUES FOR RANKING CRITERION 5:**

### **A. Project Management Plan and Implementation Schedule**

1. (a) Is the applicant's draft Management Plan included? (b) Will it assure proper management of the CDBG project, including cost-effective financial management of grant funds, compliance with State and federal requirements, and timely completion of project activities?
2. Has the applicant specifically identified the person or persons who will be responsible for day-to-day project management and financial management? Did the applicant thoroughly describe any contracted services necessary to carry out the project?
3. Has the applicant documented that it has secured firm commitments for assistance from other local, state or federal funding sources?
4. In cases where more than a single funding source or organization would be involved in the project, did the applicant thoroughly describe how these will be coordinated and directed?
5. Did the application demonstrate that the applicant would be able to meet all CDBG project start-up requirements within 9 months of the date of announcement of grant award and be able to undertake and complete the proposed project within 36 months of the final grant award? (Note: a time frame of 36 months is especially appropriate for housing rehabilitation projects, especially when a historic survey must precede housing activities. In addition, environmental constraints, such as the presence of asbestos may necessitate a longer project period.)
6. Has the applicant documented that it has thoroughly identified and considered the administrative and technical issues involved in the proposed housing and neighborhood renewal project and that it has developed appropriate responses for them?
7. Does the applicant demonstrate that the proposed project is feasible and achievable, taking into consideration the nature of the project activities, the size and resources of the community, the budget, and implementation schedule proposed?

### **B. Proposed Project Budget and Budget Narrative**

1. Are all of the applicant's proposed **activity budget** line items and costs thoroughly explained, reasonable and well supported? Did the applicant submit an appropriate budget narrative outlining the rationale and assumptions for each line item of the proposed budget? Are activity costs prioritized where appropriate? (Non-profit and for-profit organizations may reference their responses to Appendix N, as applicable. See Appendix D for guidance.)

2. Are the proposed **administrative budget** line items and costs reasonable, appropriate and well justified?

**C. Impacts or Benefit to Low and Moderate Income Persons**

1. Has the applicant thoroughly documented proposed claims of benefit to low and moderate income persons?
2. Has the applicant proposed an administratively sound, cost-effective means of minimizing any adverse financial impacts or maximizing benefits for LMI residents and for community residents overall -- such as "targeting" financial assistance to LMI households (or paying for replacement of lead water lines for LMI households)?
3. In cases where direct financial assistance to low and moderate income households (rather than community-wide assistance) is proposed, has the applicant:
  - a. Documented that it has developed sound and cost-effective targeting procedures which are appropriate and feasible given the administrative resources of the applicant?
  - b. Provided reasonable assurance that the targeting of assistance to LMI households can be completed within the implementation schedule for the project?

**D. Environmental Checklist**

1. (a) Has the applicant completed and included the Environmental Checklist in the Uniform Housing Application? (b) Has the applicant included documentation of direct contact with all appropriate state or federal agencies to answer the Environmental Checklist's questions?
2. Has the applicant done a thorough job of completing the environmental checklist? Has the applicant provided thorough and credible responses, and supplied specific sources of information for, for each of the environmental checklist topic areas?
3. (a) Has the applicant demonstrated that the project will avoid adverse impacts on the environment, including potential historic resources? (b) Conversely, does the applicant describe efforts to avoid adverse environmental impacts on the project including proximity to flood plains, hazardous facilities or sites, or incompatible land uses? (See the Environmental Checklist.)
4. If any concerns or adverse impacts have been identified -- has the applicant provided appropriate responses to mitigate them?
5. Has the applicant explained how the analysis of any potential environmental concerns -- such as lead-based paint, asbestos, and requirements for the preservation of historic architecture -- has been closely coordinated with the project design, cost, and consideration of alternatives?
6. Has the applicant adequately anticipated and thoroughly addressed all potential environmental, community planning, and regulatory constraints -- such as consistency with local growth policy, zoning ordinances, building codes, state agency administrative orders, etc.?

**E. Long-term Management**

**1. FOR ALL HOUSING AND NEIGHBORHOOD RENEWAL PROJECTS INVOLVING LONG-TERM MANAGEMENT OF HOUSING FACILITIES:**

- a. Has the applicant thoroughly explained its plans for assuring adequate, long-term management and operation and maintenance of the facility or project?
- b. Has the applicant demonstrated that there will be sufficient staff and financial resources to operate the facility or project over the long-term after project completion?
- c. Has the applicant adequately explained all projected costs for the future operation of the facility or project?

**2. LONG-TERM MANAGEMENT FOR PROJECTS INVOLVING NON-PROFIT AND/OR FOR-PROFIT ORGANIZATIONS:** The applicant may reference sections in its response to the Uniform Housing Application form or **Appendix N**, as applicable.

- Where facilities or activities are proposed that will remain the responsibility of a non-profit entity:
  - a. Has the applicant demonstrated the successful past long-term performance of the organization?
  - b. Has the applicant thoroughly documented that the organization has the financial and management capacity to assure cost-effective, long-term management of the facility?
  - c. Has the applicant demonstrated that the organization will have adequate resources to assure long-term operation and maintenance?

**F. Acquisition, Demolition and Displacement**

1. If the project will involve acquisition of property easements, has the community documented efforts to contact landowners to gain their cooperation?
2. Would the project involve the displacement of individuals? If displacement will be involved, does the applicant have adequate plans to address any displacement that may result from the proposed activities?

**G. Procurement of Services**

- If professional services will be necessary for implementation or management of the CDBG project, will the applicant assure free and open competition following CDBG procurement guidelines and state law in procurement of those services -- through the use of a Request for Proposal (**RFP**) or Request for Qualifications (**RFQ**) process or other CDBG-approved process for free and open competition in procurement? See Chapter 3 (Procurement) of the CDBG Grant Administration Manual, [http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp)
- If procurement has already taken place, did the applicant provide documentation -- including as a copy of the RFP or RFQ, publication notice, description of the selection process, and selection criteria used which complies with CDBG requirements (as outlined in Chapter 3 of the CDBG Grant Administration Manual)?

## H. Program Income

1. If the applicant has received program income since 1993, has it documented past program income expenditures for the last three years, in accordance with MDOC requirements?
2. If the applicant will receive program income in the future, has it developed a plan for future administration and expenditure of the anticipated program income funds?
3. Has the applicant routinely submitted the required annual program income reports to MDOC in the past?

## I. Financial Management System and Audits

1. Is the applicant in compliance with the auditing and annual financial reporting requirements provided for in the Montana Single Audit Act, 2-7-501 to 522, MCA?  
(CDBG will check with the Department of Administration's Local Government Assistance Bureau for information about compliance with these requirements.)
2. Has the applicant established a financial accounting system that can properly account for grant funds according to generally accepted accounting principles? (Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.)

## J. Status of Past and Current CDBG Funded Projects

1. Did the applicant provide information on the status of any open CDBG projects (housing, public facilities or planning grant contracts with CDBG) -- including project closeout reports, quarterly update reports, project completion information and closeout schedule? *(Please consult the Montana CDBG funding history chart found at <http://comdev.mt.gov/FundingHistory.pdf> .)*
2. If the applicant has any open CDBG projects, are they in compliance with the project implementation schedule contained in the current CDBG contract with MDOC?
3. Has the applicant satisfactorily addressed any audit or monitoring findings directly related to a previous CDBG grant award?  
(CDBG will check the project monitoring reports and fiscal audits for the applicant's previous CDBG-funded projects.)

## K. Other Information

Did the applicant provide any other pertinent information that could improve the application's score for this ranking criterion?

### **SCORING FOR RANKING CRITERION 5**

Each application will receive points depending upon its overall response to the "Implementation and Management" criterion, in comparison to the other applications submitted:

<b>BEST</b>	5 --	200 points
	4 --	160 points
	3 --	120 points
	2 --	80 points
	1 --	40 points
	0 --	0 points